

# THE UNIVERSITY OF TEXAS BULLETIN

No. 3508: February 22, 1935

University of Texas  
Publications

## A MANUAL OF TAX COLLECTION PROCEDURE FOR TEXAS CITIES

By

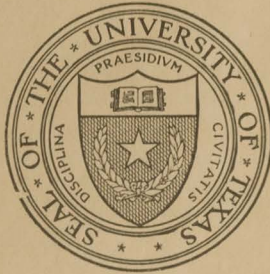
LYNDON E. ABBOTT

Assistant in the Bureau of Municipal Research

Bureau of Research in the Social Sciences

Study No. 11

Municipal Studies, No. 2



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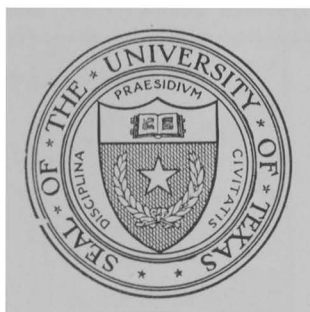
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**The benefits of education and of useful knowledge, generally diffused through a community, are essential to the preservation of a free government.**

**Sam Houston**

**Cultivated mind is the guardian genius of Democracy, and while guided and controlled by virtue, the noblest attribute of man. It is the only dictator that freemen acknowledge, and the only security which freemen desire.**

**Mirabeau B. Lamar**

# **Municipal Studies of The University of Texas**

**Number 2**

**BUREAU OF MUNICIPAL RESEARCH**

## **A MANUAL OF TAX COLLECTION PROCEDURE FOR TEXAS CITIES**

**By**

**LYNDON E. ABBOTT**

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## PREFACE

In December of 1934 the Bureau of Municipal Research published *A Budget Manual for Texas Cities*. The introductory statement of that publication noted that no problems in the field of municipal government are more pressing than those which relate to finance. It also affirmed the interest of the Bureau in these problems. The present study evidences anew both the importance of finance and the concern of the Bureau for that subject.

In pursuing the work preliminary to writing, no reason appeared to justify departure in the case of this study from the procedure followed in that of the earlier monograph; hence fifty-eight Texas cities were selected for examination on the bases of size, native white inhabitants, number of commercial houses, and geographical distribution; information was sought from these municipalities by use of a questionnaire; and the questionnaire was followed up by personal visits by staff members of the Bureau to more than fifty of the cities. As a result of this procedure each of the fifty-eight municipalities contributed to the information on which the study rests. As before, the data yielded by the survey have been subordinated to a statement of the fundamental principles required by the best practice in the domain of the problem at hand. It is hoped that the result will prove to be more a handbook for the use of city officials than a simple record of facts observed.

Many hands have contributed to both the planning and the execution of this monograph. First, the services of the officials of the fifty-eight participating cities should be recognized. Second, the officers of the League of Texas Municipalities, and more particularly Mr. E. E. McAdams, Executive Secretary of the League, who read and criticized the manuscript, are deserving of special thanks. Mr. Jay H. Brown, Legal Counsel of the League, likewise rendered material assistance in his interpretations of the statutes of Texas. Third, the Committee on Research of the Texas



Chapter of the Municipal Finance Officers' Association, consisting of Mr. George G. Grant, Director of Finance of the City of Austin, Mr. F. A. Quin, Auditor of the City of Galveston, and Mr. Walter Tatsch, Auditor of the City of San Antonio, contributed heavily to the study by reading and criticizing the manuscript. Fourth, Mr. Carl H. Chatters, Executive Secretary of the Municipal Finance Officers' Association of the United States and Canada, Mr. John N. Edy, City Manager of Dallas, Texas, and Mr. Stuart Bailey of Dallas, President of the Texas Chapter of the Municipal Finance Officers' Association, lent material aid in the way of advice and suggestion. Other personal obligations, particularly those to officials of Texas cities, are too numerous to mention except by general reference. Finally, the Bureau of Municipal Research should note its debt to the Bureau of Research in the Social Sciences of The University of Texas, whose financial assistance made possible the pursuit of the project and the publication of this monograph.

ROSCOE C. MARTIN,

*Director of the Bureau of Municipal Research.*

Austin, Texas.

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## CHAPTER I

### THE ORGANIZATION FOR TAX ADMINISTRATION

"Finance is the corner stone of our whole municipal life, in consequence of which the fiscal administration of cities today is the most challenging problem with which municipal officials have to deal."<sup>1</sup> Any government must have money to perform the functions for which it exists. Today the cities of Texas and of other states as well are faced with a financial crisis resulting from shrinkage of municipal incomes. This has meant the cutting of salaries which were previously none too high, the reduction of police, fire, health, and other protective services, and frequently default upon interest and bond payments. Permanent improvements have been delayed or else undertaken with the aid of the national government. Meanwhile, cities have been unable to reduce the fixed charges of interest and principal on debt services which normally consume so large a portion of the expenditures. New welfare and emergency relief programs have made unavoidable additions to the burden of maintaining municipal services.

*The diminishing income of the cities at the present time is due mainly to the decline of general property tax payments.* The property tax is the most important source of municipal revenues, although in some cities the receipts from municipally owned public utilities are replacing it in this respect. The state governments, recognizing that property taxes are not so lucrative a source of income as formerly, have turned to other revenues for support, leaving to the cities the problem of trying to finance their governments on the inadequate revenues from the property tax. While other sources of income have dropped in productivity, it is only in the domain of the property tax that large

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<sup>1</sup>C. E. Armstrong, former president of the Municipal Finance Officers' Association, in *Municipal Finance*, November, 1934, pp. 5-6.

sums of money remain unpaid for long periods of time.

It is difficult to obtain an accurate picture of the amount of delinquency on ad valorem taxes.<sup>2</sup> The term "tax delinquency" may mean any of several degrees of delay or non-payment, from the short-term delinquency of less than one year's standing to long-term delinquency of a year or longer. Delinquency in general is serious enough, however, to menace the stability of local government and endanger the safety of private property. The United States Bureau of the Census found from a nation-wide survey of all states that over 20 per cent of all state and local levies for 1932-1933 were uncollected on December 31, 1933. It discovered that eighty-one of the largest cities account for nearly two-thirds of the total delinquency throughout the country. Texas was reported to have a 28 per cent delinquency for 1932-1933, a figure considerably higher than that for the country as a whole.

*There are several causes for the magnitude and extensive spread of delinquency in ad valorem taxes at the present time.* These may be classified under two heads, first, the nature of the property tax and second, the methods of collection. Property tax values have not increased in proportion to the revenues which the government has derived from property. Authorities are generally agreed that real property stands more than its fair share of the tax burden and that it should no longer be the basic source of public income.<sup>3</sup> Premature subdivision of land with costly improvements has caused the collapse of real estate developments; vacant lots account for a considerable proportion of the total delinquency. This evil can be remedied in the future by intelligent and controlled subdivision. Moreover, intangibles are not rendered because the absence of laws permitting classification subjects them to confiscatory rates of taxation. Delinquency, common enough before 1929, was

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<sup>2</sup>In Texas the ad valorem tax is the same as the property tax; the two terms will be used interchangeably in this manual.

<sup>3</sup>See *A Revenue System for Texas Cities*, published by the Bureau of Municipal Research, The University of Texas, 1935.



brought to unusual proportions by the economic depression. Bank failures and exceptional unemployment have made it impossible for many to pay their taxes who otherwise would be prompt with their payments. The income of others has been reduced to the point where they must choose among grocer, butcher, and tax collector in distributing their wages or salary. Besides we have always had the willful tax-dodger, and the present situation is so conducive to success in his efforts that tax strikes on a large scale have appeared in many places.

*The methods ordinarily followed by tax collectors constitute one of the chief causes of delinquency.* Cities are struggling along with obsolete and unsatisfactory systems of collection. In normal times the methods employed were none too effective, but their inadequacies have been fully exposed only in the last four years. Even if the law has been acceptable, the collector himself has been slow to take effective and decisive action. He has been dilatory in collecting back taxes and negligent in forcing payments; the further behind the taxpayer gets, the harder it is for the collector to make him pay up. The policy of legislative bodies in relaxing the penalty provisions usually fails to achieve the desired ends and becomes indeed the cause of further difficulties. Finally we find the absence of a tradition of taxpaying in many communities. This may be a reflection of laxity in administration of the collector's office, or of a lack of proper realization and understanding of the importance of the work of the city government.

*The object of this manual is to present plans and suggestions for a tax collecting system which will increase collections.* Needless to say, the attention of city officials and students of municipal government has been turned toward the problems arising from a high rate of delinquency. The taxpayers, if they are not acquainted with the financial conditions of their city, are at least interested in legislative action bearing on remission of penalties and interest on unpaid taxes. Obviously there is a need for more complete collection of property taxes. Failure to collect taxes which

are lawfully due is an indication of weakness in government. Experience has proved that it is possible to reduce both short-term and long-term delinquency. Such causes as unemployment and economic stagnation cannot be remedied by the city collector, who nevertheless can offset the harmful effects by employing devices designed to meet the emergency. It is hoped that this handbook will be useful not only as an aid in the present crisis, but also as an outline of methods which may be followed with advantage in less critical times.

The manual has been prepared for use in Texas cities.<sup>4</sup> While the suggestions are generally applicable to cities outside of Texas, the provisions of the Texas statutes have been mentioned in several particulars. When there is a difference between the rights and privileges of home rule cities and those incorporated under general laws, the distinction has been noted. Furthermore, where state legislative action is necessary to change the present procedure, that fact has been observed. Throughout the study a number of principles of tax collection procedure have been listed; these may well serve as general guides to more specific action by the collectors. From these principles have been developed the details of procedure which appear in this study.

*It is of vital importance to a good tax collecting system that the office of tax collector be properly organized both internally and in its relation to the city government as a whole.* For this reason it is proper to consider certain features of the office itself before proceeding to tax collecting methods. The office should be so constituted that it will be possible to obtain and keep intelligent, honest, and efficient officials, and that there will exist no remediable defect in the structure of this very important branch of the city government. It is essential that the officer who handles the city funds understand the legal provisions applicable to them or he may be guilty of unintentional misapplication of

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<sup>4</sup>It should be understood that the term city as used in this manual applies to all incorporated cities, towns, and villages.

funds. As the following pages will show, there may be differences in the position and organization of this office in small and large cities, though in the most important respects there should be more of similarity than of difference.

*The office of tax collector should be combined with that of city treasurer and this official should be responsible for the collection, custody, and disbursement of all city funds.* As is pointed out in Appendix I, the larger cities have not concentrated the function of receiving moneys paid to the city but have allowed various departments or persons to act as receivers. The tax collector is the most important of these because in all cases he alone collects the ad valorem taxes. In a few cases the collecting officer is also the treasurer, but the general practice is to appoint as treasurer an official of the bank which acts as the depository for the city's funds. When this occurs, the treasurer serves simply as the custodian of public moneys, a duty which should reside in a public official rather than a private individual. The treasurer has the further duty of acting as disbursing officer. While this function is chiefly ministerial in nature, since it consists largely of signing checks upon authorization of the comptroller, it offers the opportunity to save the city considerable sums; for example, expenditures might be reduced by prompt payment of bills. One official, therefore, should serve as collector, custodian, and disbursing officer of the city finances, one of his principal functions being that of collecting taxes. While this handbook stresses the collection phase of his duties, it is not meant to minimize the importance of other functions residing in this officer. It should be noted that vouchers should be prepared by the comptroller or some official other than the treasurer. Both home rule cities and general law cities may adopt such an arrangement as is here suggested. Cities incorporated under general law with the mayor-council form of government are authorized to confer the powers of treasurer, and likewise those of asses-

sor and collector, on some other officer.<sup>5</sup> Cities under 5,000 population with a commission form of government are required to appoint a clerk who serves also as treasurer and assessor and collector.<sup>6</sup>

*In larger cities the office of treasurer-collector should be organized as a bureau in the department of finance.* The consensus of opinion among those who speak with authority on the subject is that all financial functions of the city ought to be brought together in one integrated department of finance. This would be headed by a director of finance, an appointed official selected on the basis of his ability and experience. His department would be divided into bureaus, each having a direct and important bearing upon finance. These would be the Bureau of Control and Accounts (headed by the comptroller), the Treasury Bureau, the Purchasing Bureau, and perhaps a fourth, the Bureau of Taxation. The place of the treasurer-collector in this arrangement is apparent. As head of the Treasury Bureau, he would be appointed by the chief executive of the city upon the recommendation of the finance director. This unification would correlate the various financial functions of the city, eliminate overlapping performances, and establish definite lines of responsibility. Budgeting, accounting, and reporting would be facilitated. The Bureau of Taxation would have to do with assessments on real and personal property, and this brings us to a consideration of the office and function of the assessor.

*The work of making assessments should not be delegated to the collecting officer if this can be avoided.* The function of making assessments differs fundamentally from that of collecting. The former is a specialized task while the latter is more largely routine, clerical, and ministerial in nature. The assessor must be able to judge property values, a complicated and arduous task. It is highly desirable to have in

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<sup>5</sup>Vernon's *Annotated Revised Civil Statutes of the State of Texas* (Kansas City, 1925), Article 977. The Cumulative Supplement of 1934 brings the laws up to date. Hereafter the Texas statutes will be cited as *Revised Civil Statutes*.

<sup>6</sup>*Ibid.*, Article 1161.

the city's employ a person who is able to assess property wisely. The position of the assessor in relation to the collector is open to some difference of opinion. There are authorities who believe that it is essential to separate the offices of the assessor and collector, with the former as head of the Taxation Bureau and the latter chief of the Treasury Bureau. The work of these two bureaus would be harmonized through the finance director, as well as through coöperation between the assessor and the collector. It is felt that only by providing for separate administrative agencies can the two functions be properly cared for.<sup>7</sup>

On the other hand, there are those who claim that assessing and collecting are so closely related, particularly in the matter of time sequence, that they should not be entrusted to separate bureaus. In this group are to be found many persons with practical experience in municipal administration. It is in the interest of better administration, they say, to unite the two functions under one office, headed by a single individual called the assessor and collector. Proponents of this form of organization admit the specialized nature of assessment work, and would have as the first assistant or chief deputy to the assessor-collector a man trained in this line and responsible for assessing. The assessor-collector would then devote his time chiefly to collection and administration of funds, and to supervision of his bureau. This arrangement is flexible enough to fit communities of varying sizes. In a large city the assessing division would have a staff of several assistants and clerks; in a middle-sized municipality perhaps one or two assessors would suffice and these would likely have other duties during a part of the year. In the smaller cities it would be impractical to separate the office of assessor and collector; besides, the Texas statutes combine the two offices for general law cities. Even if there were no legal hindrance, the usual Texas city, below say 25,000 population, probably could not

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<sup>7</sup>This viewpoint is discussed more fully in *A Budget Manual for Texas Cities*, published by the Bureau of Municipal Research, The University of Texas, 1934.



afford a full-time assessor, whose assessing duties would not require all of his time. The present practice seems to favor this viewpoint on the position of the assessor. In almost 90 per cent of the fifty-eight cities included in the sample used in this study, the offices of assessor and collector are combined. In 3 per cent, full-time assessors are employed; a few use part-time assessors; and in one town the marshal serves as the assessing officer.

Where the city is so small that the assessor and collector does not have an assistant to whom the task of assessing can be delegated, there are three ways the city can assure itself of adequate assessments. First, it may be kept in mind that the assessor-collector's most difficult function will be that of assessing, and a qualified person may be selected in the light of that fact. A second means is for the city to hire professional assessors for a short period of the year.

A third alternative is for the city to use as the basis of the city levy the valuation of the county assessor on property located within the city. In fact the Texas statutes permit any incorporated city to authorize the county assessor and collector to make the assessments and collections for the city, the assessed values to be the same as those for the state tax levy.<sup>8</sup> The city council ought not to decide upon such an arrangement unless there is assurance that the county assessor and collector will be qualified for his duties. The constitutional amendment adopted in 1932 combining the office of county assessor and collector will likely result in the collecting operation overshadowing the assessment work, with the probable consequence that the latter will suffer. In any event, the assessor should be chosen by appointment rather than by popular vote, whether he is a county or city official and regardless of the size of the governmental unit, and should be selected upon the basis of his ability and training rather than upon any political consideration.

*Equitable and adequate assessment of property is the first essential of a good tax collecting system.* Poor assessments

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<sup>8</sup>*Revised Civil Statutes*, Article 7359.

exist as one of the major causes of delinquency and when this defect is corrected, a city is well on the way toward a solution of its financial difficulties. In recent years there have been developed uniform and objective scientific methods of assessments which are available for any city. Some of the cardinal features of these systems are valuation at true cash value, separation of land and buildings, allowance for depreciation, and use of the unit foot as the basis of valuation supplemented by well established rules for determining the value of corner and irregularly shaped lots. Information on buildings ought to be kept by a card system. Block and lot maps to identify property and land value maps for the entire city make easier equitable assessments. Finally there should be a continuous check through sales, rentals, building permits, and contact with real estate men to adjust valuations to changing conditions and to build the largest possible tax roll by preventing any parcels escaping notice. Care must be taken to describe all properties accurately; an error in this matter may result in the levy's being held void.

The personal property tax is subject to considerable variety in assessment methods. The assessor himself lists and values real property while personal property most frequently is rendered or listed by the taxpayer. The property tax as it affects personal property is unsatisfactory because intangibles are not rendered and are difficult to assess. The assessment of automobiles is one of the most difficult problems. Over 12 per cent of the cities in the survey make use of the county auto registration list to complete their assessment, and this could be done by every city with good results. The collection of taxes levied against automobiles presents a more difficult problem. It would be highly desirable if the state legislature would authorize the county tax collector to issue auto licenses only upon the presentation of receipts showing that the owner had paid the city and county property tax on his car. Another suggested solution is that provision be made for the cities to share the proceeds from the state auto license fee, or to lay a municipal tax on autos.

Fifty-six cities reported concerning their practices in assessing personal property. Rendition by the owner is used in 80 per cent of the cities; 75 per cent of the cities answering the question as to whether or not they make a list of personal properties not given in for assessment replied that they did so. It was found that in 35 per cent of the fifty-six cities a house to house canvass is made to obtain renditions on personal property. These findings may be stated in another way. In about 20 per cent of the cities, canvassing is the only method followed in assessing personal property; this is found mainly in the smaller towns. In about 50 per cent, the owners render their personal property, and the assessor then makes a list of the property unrendered; in a little over 5 per cent, the assessor combined these two methods with a canvass of the business district or of the entire city. If the city is able to maintain a full-time assessor, it is possible to make a complete canvass of the city to place on the rolls all possible personalty. If, however, there is a limit to the time the assessor has to put on this work, it seems that the most effective system is to have the owners make the rendition themselves, supplement this with information taken from previous assessment rolls, and then use a canvass of the business district. Finally, reliance upon the county auto registration list will bring in much property that otherwise would escape. The assessments on unrendered autos could be based upon the prices listed in standard used car price books.<sup>9</sup>

*Approval of the assessment rolls by the Board of Equalization is a very important step.* This agency exists to eliminate errors made by the assessor and to hear complaints from the individual taxpayers. Texas law provides for an equalization board of three in general law cities; if the board raises the value of any property, it must give

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<sup>9</sup>Probably the best book available is the *Official Used Car Guide*, published monthly by the National Automobile Dealers' Association, 1010 Pine St., St. Louis, Missouri. This was accepted by the national government as the code book for used car values.

notice of such action and meet ten to fifteen days after for a hearing upon the question.<sup>10</sup>

*The tax collector should be an appointed officer and should hold office as long as he effectively performs the duties thereof.* To make the collecting officer appointive will be to reduce the incentive to laxity in collection, since his services will be judged not by the number of potential voters he pleases but by his efficiency in enforcing the tax laws. Professor Fred Rogers Fairchild of Yale University well stated the case when he wrote,

No one likes to pay taxes; the collector knows that his is an unpopular function. He is constantly importuned to grant special favors in the form of extension of time for paying taxes, remissions of penalties, or withholding of the taxpayer's name from the advertised list. Having his mind on the coming election, the collector is under constant temptation to proceed leniently in collection and has obvious difficulty in resisting pleas for special favors.<sup>11</sup>

Provision for indefinite tenure of office permits the officer to remain in the public service for longer than the usual two-year term and therefore fosters a better acquaintance on his part with the duties and problems of the office. The collector ought to be appointed whether he heads the Treasury Bureau in a department of finance or is the sole financial officer of a small city. The collecting officer in 31 per cent of the cities in the survey is appointed for two years, in 10 per cent, for one year, and in 29 per cent, for indefinite terms. The remaining 30 per cent are popularly elected for two-year terms.

*The tax collector should be paid by salary and should give bond.* In spite of the apparent wisdom of demanding a surety bond from every official responsible for the handling of public moneys, 10 per cent of the cities do not require bonds from their collecting officers. The collector should be paid by salary rather than by a percentage of the collections he makes. The fee system is generally condemned

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<sup>10</sup>*Revised Civil Statutes*, Articles 1048 and 1053.

<sup>11</sup>"The Problem of Tax Delinquency," in *American Economic Review*, pp. 140-150, Supplement, March, 1934.

today because it does not provide the officer with a certain income, thus making the position unattractive to qualified men, and because it tends to prevent fair dealings with the public. The collecting officer should give his best service in carrying out the obligations of his position and failure to do so justifies his removal. The bulk of Texas towns and cities follow the salary basis of remuneration. In 88 per cent of the municipalities the collector is paid by salary only. In 7 per cent of the cities he receives both a percentage of the collections and a salary, the latter by virtue of holding some other office; and in 5 per cent, his pay is based solely on a percentage of the moneys he collects. The percentage paid him ranges from 1 to 5.

*In smaller towns and cities it is proper to combine the office of tax collector with that of secretary to unify all financial functions.* It was stated above that all financial functions in the larger municipalities ought to be combined in a single department. It is recognized that both lack of money and of functions makes it impractical for the average city to attempt to organize a finance department with subsidiary divisions. In such cities it is well to hold one person responsible for the financial functions. This individual could hold jointly the offices of secretary and treasurer, the latter combining the duties of collector, custodian, and disbursing officer of the city funds. As pointed out above, Texas law makes provisions for such an arrangement in general law cities. In addition he will of necessity act as assessor. In the smaller municipalities the mayor could act as *ex officio* comptroller, by signing the vouchers for disbursement which the secretary-treasurer would draw up. This would avoid a situation where one official could collect and spend money on his sole responsibility. It was found that in 62 per cent of the cities the collecting officer also holds the office of city secretary, and 3 per cent he is also the city manager. This dual office holding was found in all cities below 7,000 population but not in any cities above 16,000.

It is now possible to summarize the picture of the organization for tax administration. In all cities, regardless



of size, the tax collector ought to be an appointed officer, paid by salary and with an indefinite tenure of office. He should serve as collector and as custodian and disbursing officer of all city funds, which means that he should be given the functions of treasurer. In every city there ought to be a unification of all financial functions; this demands a department of finance in the larger cities, divided into bureaus, of which the treasury is one. On the other hand, the smaller towns will be able to accomplish this end by uniting the office of collector-treasurer with that of city secretary. The actual work of assessing ought to be performed by some person other than the one who collects taxes, though in small cities it likely will be necessary to have one person carry out both functions. Whatever may be the administrative organization, justice demands that in any municipality the best possible appraisement technique be used, and that equal and non-discriminatory valuations be made. Those who assist the collector in office and field work ought to be selected on the basis of ability and training, and be paid a sufficient salary to encourage them to put forth their best efforts. The reduction of the budget of the tax department to the point where incapable persons are employed is poor economy. Finally, the purchase of billing machines and other mechanical devices will render the process of making out statements and similar routine tasks much easier, more expeditious, and more satisfactory.

## CHAPTER II

### CURRENT TAX COLLECTION

*The various steps in the process of levying and collecting taxes should be definite, regular, and as expeditiously executed as possible. A tax collecting calendar is as important as a definite schedule for preparing the budget.<sup>1</sup> It provides specific objectives and checks for the tax collector, and enables him to judge accurately the progress he is making in his work. It tends to lessen the opportunity for delay and makes possible economical and orderly administration. The dates for the several operations will vary from city to city, yet there are certain rules which could be followed advantageously by all cities in preparing their collection schedule.*

*It is highly desirable that the date on which taxes are due and payable and the date on which the fiscal year begins be the same. This would do much to simplify and better the financial administration of the city. First, the city would be able to obtain its revenues at the beginning of the fiscal period instead of near the end. In most cities in Texas the fiscal year begins several months prior to the tax collecting date. The municipalities then are compelled either to finance the first half or more of the year by a surplus from the preceding year, or to resort to temporary borrowing in anticipation of future tax collections. The second alternative is almost invariably followed. This practice not only involves additional costs in interest charges, but also makes the city dependent upon the loan market and general business conditions and subjects it to dictation by money lending institutions. Unusual amounts of delinquency aggravate the situation, for the city thereby is a much poorer risk for investment of capital, and interest rates will be proportionately higher. The difficulties encountered in the situa-*

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<sup>1</sup>See *A Budget Manual for Texas Cities*, pp. 30-31 and Appendix II, Exhibit A.

tion described cannot be remedied by postponing expenditures. The best solution is one which advances the date of tax collection to a time nearer the start of the fiscal year.

In the second place, synchronizing the date of tax collecting and the beginning of the fiscal year permits more accurate and intelligible accounts and reports. Where the fiscal year ends sometime between the dates of two installments, it is difficult to present a clear picture of the financial year since some of the income properly belonging to one fiscal year would not be collected until the next fiscal period. Thirdly, when collections begin early in the fiscal year, a greater percentage of the taxes will be paid in the year they are due than would otherwise be the case. A report to this effect will create a favorable impression upon the city council as well as upon the taxpayers. Finally, the proposed synchronization of dates will facilitate budget construction.

The correlation of the beginning of the fiscal year and the collecting date will necessitate a carefully planned readjustment. The collecting date could be advanced to the time the present fiscal year begins, perhaps by monthly progressions. New York City recently arranged for an adjustment in this manner. On the other hand the fiscal year may be shifted so as to begin on the present collecting date. If this scheme is followed, a special loan may be necessary to finance the city during the period of readjustment. The fiscal years of 64 per cent of the Texas cities surveyed begin prior to June 1. When it is noted that in all but 7 per cent of the cities the taxes are not due until some date between October 1 and January 1, it can be seen that the larger part of the cities have not synchronized the fiscal and tax years. It is encouraging to discover that in 17 per cent the taxes do become due and payable on the date the fiscal year begins. There are no statutory prohibitions in Texas to prevent either home rule or general law cities from correlating these two most important fiscal periods. Home rule cities are privileged to select their own dates for assessment, collection, and fiscal year.<sup>2</sup> General law cities, while limited in

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<sup>2</sup>*Revised Civil Statutes*, Article 1175 (8, 9, 10).

assessing date, are at liberty to determine their own tax collecting date as well as that of the beginning of their fiscal year.

*The period between assessment and collection should be as short as possible.* Frequently the time between the beginning of assessment and the collecting date is nine months to a year. It is possible to shorten this considerably without jeopardizing the fairness or completeness of the assessing process. In the typical Texas city assessment supposedly is started on January 1 and completed about five months later. Taxes will not become due until October 1, and not delinquent until February 1 or still later if split payment is permitted. Consequently the taxpayer will be paying his tax on an assessment made at least nine months before, and more frequently a year or longer will intervene. This situation is objectionable for several reasons. It tends to demoralize the taxpayer, particularly when values change during the intervening months. Collections are more difficult because people move away and property changes hands. It complicates the administration of the office of assessor-collector because collections for one year and assessments for the next overlap. Many an assessor-collector does not attempt to begin assessments until after the delinquency date because collections are highest in the preceding month. Finally, it impedes proper budgeting methods and accurate reports.

In applying this suggestion, and correlating it with the one previously made, a city should provide that assessment begin about six months before the date on which collections begin, which date, it must be remembered, also marks the beginning of the fiscal year. Some four months should be allowed for assessment and review. One of two methods may be adopted in organizing this phase of the collection calendar. Either the collecting date can be selected and the date for initiating assessments determined from it, or the reverse may be done. Home rule cities may follow either of these procedures, though the first is preferable.

General law cities are limited in the time they may select to begin assessments. The law provides that property shall be rendered starting on and as of January 1; if the fiscal year does not coincide with the calendar year, the council may provide by ordinance that the inventory be made as of the first day of the fiscal year and renditions begun at that time. In either of these cases, the renditions are to be completed within three months.<sup>3</sup> Neither of these alternatives is entirely satisfactory for determining the time for assessment. If the general law city maintains January 1 to April 1 as the rendition period, the collecting date would fall on or about July 1, which might be an inopportune time for the citizens to pay taxes. If the other alternative is selected, and assessments begin at the opening of the fiscal year, difficulty is encountered in correlating the tax year and the fiscal year. This problem could be solved by allowing the taxpayer to make voluntary prepayment for one-half of his previous year's taxes at the beginning of the fiscal year. The amount of the second installment could then be adjusted to make the total bill correlate with the assessment for that year. Every city should be given the freedom to determine its own dates for assessment, collection, delinquency, and the fiscal year.

If a uniform fiscal period for all municipalities were to be designated by state law, it would be helpful in making comparisons of financial reports, and in facilitating a greater degree of state administrative control over city finances. Such a step would, however, interfere with the principle of municipal home rule, and if the city correlates its tax collecting year with its fiscal year, there would be no opportunity for adjustment of collecting dates to local conditions, a matter considered later.

*Setting the date for city tax collections at some time other than October 1 to February 1 will avoid the time when state and county taxes are collected.* In some cities this arrangement will prove advantageous. In others, it will be equally

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<sup>3</sup>*Ibid.*, Article 1043.

beneficial to have the city collecting and delinquency dates coincide with those of the state. It is best, therefore, to mention the points favorable or unfavorable to both plans. The state taxes in Texas are due on October 1 and become delinquent on February 1, with provision for a split payment plan by which the second installment may run up to July 1.<sup>4</sup> If a city adopts these dates, the taxpayer is required to pay both tax bills at approximately the same time, and when this double burden is placed upon him, one or both of the two governmental units will suffer. Provision for taxes to be paid during the summer months distributes the tax burden more evenly throughout the year, which is likely to be a factor in reducing delinquency. Yet the fall months are harvest time, and persons depending directly or indirectly on agriculture for their livelihood will be in a better position to meet their obligations at that time. The taxpayers are in the habit of paying taxes in the fall and winter; a change of time therefore would necessitate a readjustment, though this would be inconvenient for only a comparatively short time. Finally, a correlation of the collecting dates would be a preliminary to a unification of the tax bills of the county and city, a step advocated by many.

The decision on this question depends upon the particular economic activity on which the income of the community as a whole rests. The smaller cities generally rely upon agriculture or ranching, and since the harvest is the predominant factor in the income of the agrarian center, they probably would do better to collect taxes in the fall. In the larger cities, which are commercial and distributing centers, the bulk of the population is paid by salary or wages, hence tax payments could be made as well in the summer months as any other time of year. Summer payments also avoid the winter holiday season which draws heavily upon the family budget. It should be remembered, however, that simply because October 1 and February 1 have been used for some time as the collecting and delinquency dates respectively, that does not make them the best dates to follow

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<sup>4</sup>*Ibid.*, Article 7336.

in the future. Each city should endeavor to ascertain what dates for collecting best suit its local conditions, keeping in mind that collections should start at the beginning of the fiscal year and that the time between the beginning of assessment and collections should be approximately six months.

*The assessing and collecting process may be outlined after the plan suggested by the calendar which follows. This schedule, illustrating the points developed above, is based upon a fiscal year from July 1 to June 30. It is to be understood that these dates are selected arbitrarily and can be adjusted to fit the needs of any particular city. This plan will be used hereafter as a basis of further proposals.<sup>5</sup>*

January 1	Assessment of real and personal property begins. Assessments made as of this date.
March 30	Assessments completed; abstract book posted; unrendered sheets made up.
April 1 to April 20	Board of Equalization meets to adjust complaints on assessments. If values are raised, notices of such action is given and a hearing held in ten days.
May 1	Preparation of the budget started by appropriate officer.
May 1 to May 14	Equalization Board conducts hearings on changed valuations.
May 15	Final total valuations available.
May 28	Budget officer files copy of budget, containing final figures, with city secretary.
June 1	Budget officer submits budget, and appropriation and tax ordinances to council. Council adopts tentative tax rate and collector proceeds to prepare statements based thereon.

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<sup>5</sup>The calendar presented here is complete only up to July 1. Obviously this does not terminate the collecting program, though after this date the arrangements for payment may properly vary in different cities. Recognizing this, various payment plans are described below, in place of recommending any particular one in the calendar. Further, a calendar for notices on current taxes appears at the end of this chapter; foreclosure proceedings in Texas are outlined in Chapter III.

June 15	Public hearing held on budget and appropriation ordinance.
June 22	Council adopts budget and passes appropriation ordinance.
June 29	Council passes ordinance fixing tax rate and levy.
June 30	Collector mails tax statements to taxpayers.
July 1	Budget goes into effect. Taxes due and payable.
October 1	Unpaid taxes become delinquent.

This collection calendar is synchronized with the budget calendar found in *A Budget Manual for Texas Cities*. The budget calendar was prepared on the assumptions that most municipal elections in Texas come in April and that if two months are allowed for the budget procedure, it will not be terminated until late June. The collection calendar here presented is designed to provide for tax statements to be mailed by the beginning of the tax collecting year in spite of the fact that the official tax ordinance is passed as late as June 29. To accomplish this the collector must begin to prepare his tax bills about June 1 on the basis of a "tentative" rate. About four weeks should be allowed for the work of making out the statements. This rate is tentative only in that it has not been passed as an ordinance; it has been accepted by the council as the rate for the coming year and is already before that body in ordinance form. The undesirable features of this scheme are first, that there is the possibility that the council will change the rate, and second, that it is impolitic to begin on the statements before the public hearing has been held on the budget. In any event, a city adopting this arrangement must be careful that the tentative rate will be the final one, and that the public hearing will result in nothing more than a redistribution of the total appropriations in the budget. If a city adopts the policy that no statements are to be prepared until the tax ordinance becomes effective, it may follow one of two arrangements. It may mail the tax statements late, thus getting them out in late July or early August, after the



taxes have become due and payable. While this practice leaves something to be desired, it may be innocuous especially if payments are accepted from the beginning of the collecting period.

The second alternative is for the budget program to be initiated early enough that it will be completed and adopted a month prior to the beginning of the fiscal year. This would allow sufficient time for the collector to make out the bills on the official levy, and mail them to the taxpayers prior to the collecting date. In fact, this arrangement is the one which should be followed if at all possible. It would certainly be workable in any Texas city where the fiscal and collecting dates come some time after July 1, since in this event municipal elections would no longer be a factor. It is suggested that if a city has decided upon October 1 as the best date to begin collections, any new administration taking office in the spring of the year would have sufficient time to construct the budget and complete it by September 1. It is likely, however, to be some time before the bulk of the cities will have perfected their financial administration to the point that their budget will be adopted in time to allow a month for the collector to prepare the bills, though it may be emphasized that they should strive to achieve this end. If this is the case, the collector will be forced either to send out his bills late or else make them up on the basis of the tentative rate as described above.

With the proposed collection schedule in mind, it is possible to proceed to consideration of some details in the process of levying and collecting taxes and to summarize the current practices of Texas towns and cities as revealed in this survey. The practices of Texas cities in respect to the time elapsing between the various stages in execution of the collecting program are so varied as to make summary difficult. The most common line of conduct is for the assessments to be completed some time in April or May, the Board of Equalization to meet in July, and the tax rate to be set in August or early September, with taxes due on October 1.

Of the cities studied, 43 per cent have about one month between the time the rate is set and the taxes are due; about 22 per cent have a two-month intervening period and in some cases the interval is seven, nine, and even ten months. In these latter cities the rate is adopted before the valuations for the current levy are determined. At the other extreme were found 7 per cent of the cities which did not determine the rate until within two weeks of the collecting date, and in half this number the rate was not decided upon until *after* the collections should have begun. In several instances the rate for 1934-1935 was so late as to prevent the tax bills' being made out by the collection date. This delay, as far as could be discovered, is not attributable entirely to dilatory assessors and collectors, but is caused also by the failure of the council to appoint the board of equalization on time, slowness on the part of this reviewing agency, or procrastination of decisive action on the tax rate. It should be emphasized that the council must share the responsibility for a regular and rapid collection procedure.

The time between the date taxes are due and payable and the delinquency date (when taxes are payable in one installment) in Texas cities can be stated more accurately. The average for the cities reporting on this question is slightly over four months; almost 75 per cent of them have a four months period. About 4 per cent have twelve months intervening, and at the other extreme is a like number with a two months' space. In about 81 per cent of the cities taxes become due and payable on October 1, in 7 per cent on January 1, in 3 per cent on September 1, and in 3 per cent on November 1, and in 2 per cent on April 1, on August 1, and on December 1 each.

*The tax collector must maintain adequate assessment, billing, and receipting forms and methods, designed to reduce administrative costs, prevent errors, and facilitate the making of tax statements.* Many tax offices are at present employing careless and lax methods in compiling the assessment rolls, making out statements, and receipting paid bills.

A carefully planned office system will have the effect of increasing tax payments. A "business-like" management will create a good impression upon the citizens who visit the tax office and will be reflected in the public attitude toward tax-paying. It is in place to observe at this point that the larger cities will find the adoption of mechanical devices for billing and other office routine profitable from the standpoint of economy in administration and greater accuracy in the tax bills. Bookkeeping and billing machines, addressographs, and similar equipment have been developed which will perform almost any type of clerical or routine office work the assessor and collector may have. The task of compiling the assessment rolls and that of billing and receipting are inseparable when the work of the collector's office is considered as a whole.

*The assessment rolls are the basic and therefore the most important records in tax collection.* Care must be given to the form of the assessment rolls and to the selection of the items appearing upon them, since they serve as the key to billing and receipting, and finally to the delinquency records. There are two sets of materials or records upon which the assessment rolls are based; these are the rendition sheets, and the block and lot record. Every city should maintain a block and lot record, arranged by addition, block, and lot, and containing a description of each property parcel, the value of the lands and improvements, and the name and address of the owner. This is a semi-permanent record and must be kept up to date in the matters of changing values and ownerships. Usually it takes the form of a large ledger, but it is possible, as one or two Texas cities have done, to establish a card system for it.

The assessment rolls should be arranged alphabetically by owners of taxable property and should contain the following information: name and address of owner; lot, block, and addition of real property (and perhaps the volume and page of the block and lot record where found); value of real estate; value of improvements; value of personal property; total property value; total tax (this should be itemized

by (1) city tax and (2) school tax, if the city collector collects both) ; amount received for payment of tax ; date payment received ; and receipt number. In addition, a space should be provided for remarks.

Unless there is some charter or other legal provision which requires it, there seems to be no good reason for itemizing the city tax under the heads of general maintenance, sinking fund, improvement fund, or similar subdivision of the city finances. Such a practice entails extra work for the collector without benefiting him in his accounting. Neither is it of value to the taxpayer who can be given this information in a standard statement submitted on or with all tax bills explaining the portion of the tax dollar or tax levy which goes to each fund. In some cities a separate roll is made for those having only personal property, or for the out-of-town owners, or for the unrendered valuations, or for the Mexican population. There is more to be said in favor of a separate roll for those with only personal property than for any of the others, but as a rule one roll will suffice.

Several cities do not keep what would seem to be adequate records of the names and address of property owners. The collector should maintain a complete and correct mailing list. About 14 per cent of the cities studied answered that they do not have such a record. At least 9 per cent do not have the addresses on the rolls, in which cases dependence is usually placed upon the rendition sheets. It is entirely possible, of course, that as long as they are available elsewhere they need not be placed on the rolls. Some of the smaller towns have a list of only the out-of-town owners, the collectors relying upon their knowledge of the community to make up for any deficiency in the written records.

The mailing list may be kept up to date by examining title transfers in the county offices, by consulting with real estate men, and by checking the names of those who pay taxes. Another source of information is the tenants of rented property. The tax statements might carry a request for submission of new addresses.

*The most desirable system of billing and receipting is one which provides for at least three copies of the tax statement or bill, one to be mailed to the taxpayer as a statement, one to be given as a receipt, and one to remain in the collector's office. Three statements are the minimum number which should be prepared, though more may be made if necessary at little extra expense. Billing machines make possible the printing of several statements at once, using one-time carbons. Machines which type the bill and figure the amount of tax automatically are utilized in Ft. Worth.*

Austin and Temple make an original and five carbon copies in loose-leaf form. These are the tax statement, a rendition sheet mailed to the taxpayer, a rendition sheet retained in the tax office, a receipt for the taxpayer, a receipt for the collector's records, and a cashier's stub. Exhibit A is a reproduction of the tax statement used in Austin. The statement and one rendition sheet are mailed to the taxpayer, who may make his rendition by the latter form. If he forgets to return this to the tax office when his bill is paid, the duplicate rendition sheet is produced and the renditions thereby obtained. Upon payment of the account, triplicate receipts are signed and distributed as indicated above. The Austin system is unique in that all statements, being loose-leaf, are filed alphabetically in a filing cabinet. Approximately 12 per cent of the cities surveyed reported that they utilize four copies of the statement-receipt (including the original), 19 per cent, three copies, 42 per cent, two copies, and 20 per cent, one copy.

Nearly all the cities prepare one tax bill for each owner of property, rather than one for each parcel. Some authorities suggest that each parcel be billed separately, regardless of ownership. This would make extra work for the collector, frequently with no sufficient compensating advantage. The strongest arguments in favor of such a practice are that it makes receipting much easier if an owner of several parcels desires to pay the taxes on any number less than all, and it simplifies accounting for changes in address and ownership.



*The tax bills of the city and the school district should be combined.* It is in the interest of better government and administration to combine similar functions which are performed over the same geographic area. This reduces the expense of government in the community as a whole by eliminating duplication of overhead charges, and makes possible the performance of the function involved by a better qualified official and improved administrative devices. There is no legal bar in Texas to the assumption of school tax collection duties by city collector, even when the municipal council does not have financial control of the schools, and although the limits of the school district may extend beyond the corporate area. When such a combination of functions is effected, the city collector cannot receive extra compensation for his additional work. In 33 per cent of the municipalities surveyed the city collector is responsible for the collection of the school taxes. About four-fifths of these municipalities are over 10,000 in population.

*It is important that the taxpayer receive notice of the amount of his current taxes.* This point cannot be emphasized too strongly. Most people are accustomed to receiving bills from private concerns; it is both proper and expedient for tax collectors to follow the practice of private business and to make use of some device other than public notice to announce that the bills are ready and taxes payable. The public notice when used exclusively is the more objectionable because it passes the responsibility on to the taxpayer, who is expected to call at the collector's office to become informed of his obligations. The practice of making out statements and mailing them is frequently called pre-billing. When the taxpayer learns the amount of his taxes, he can mail a check to the city hall, and his receipt can be sent him by mail; thus the payment is dispatched swiftly and with convenience to all parties.

Approximately 80 per cent of the cities surveyed notify the taxpayers of their bill by mail. Of these, about 60 per cent use postcards and the remainder mail either the original or a carbon copy of the statement. In addition to mailing a notice, 12 per cent make delivery of some portion of the

bills by city employees. This method of distribution is worthy of consideration for more extensive use; either part-time help could be employed or some full-time employee assigned to this work. No notices are mailed in 20 per cent of the cities; only one-fourth of these place a notice or advertisement in the newspaper to the effect that taxes are due and payable. The rest rely upon the memory or habit of the taxpayer to inform himself as to the amount of his tax bill.

The use of postcards has the advantage that these are less expensive to mail than letters, but this is offset by the fact it takes additional time to write the amounts on the card, an operation, incidentally, which furnishes a chance for possible error in copying from the rolls or other records. Moreover the postcard does not allow for sending information about the activities of the city government.

Mechanical equipment is invaluable for speeding up the routine of addressing letters or cards, as well as in the preparation of the tax rolls and bills. Addressograph plates are used in Cincinnati, Ohio, for making the field roll, tax collection warrants, tax bills, and delinquent abstracts. Such plates are effective in reducing errors from copying. Houston has installed a machine to address cards automatically. The amount of work to be done will determine whether the adoption of mechanical aids will be economical.

The tax statement-receipt should contain the following information:

- Name and address of taxpayer
- Description of real property
  - Lot, block, and addition
- Total valuation, real and personal
- Tax rate, by general, sinking, and special funds, and/or explanation of expenditures on the basis of the tax dollar
- Total tax, divided by general, sinking, and special funds, if required by law
- Indication that the form is a receipt or statement
- Information on collection and delinquency dates, penalties, interest, and methods of payments

Examples of supplementary information appearing on actual tax statements of certain Texas cities are:



**This Statement Does Not Include Delinquent Taxes.**

**Wichita Falls**

Penalty, interest and other cost added after December 31st, 1934. Make all checks payable to T. W. Browne, "Assessor and Collector." When remitting do not fail to furnish a mailing address for return of receipt.

**Houston**

Examine your statement and see that it includes all property on which you desire to pay taxes for 1934. If [it does] not, ask the tax department to render you an additional statement before taxes become delinquent.

**Corsicana**

A city which makes out three or more copies of the tax statement-receipt may use either a loose-leaf system of forms with one-time carbons, or a bound book, out of which the statement, receipt, and cash slip are torn, leaving a fourth copy in the book as the permanent record of payment. The loose-leaf method makes it possible to type the statements and the receipts can be bound or filed in any order desired.

The general practice in cities which do not mail a complete statement (that is, those which mail a card or else send no notice of any kind) is to prepare, as soon as the rolls are finished, the receipts for the coming payments in duplicate. The number of the receipt is copied on the assessment roll and serves as a guide to the receipt when the taxpayers appear. When the bill is paid, the receipt is dated, signed, and given to the taxpayer; the duplicate remains in the book as a permanent record. Often a triplicate copy or a stub is torn out as a cash slip. In 5 per cent of the cities reporting the only receipting records are the assessment rolls. Besides marking all payments on the rolls, every city without exception ought to make duplicate receipts as proof that the amount they claim was paid was the sum actually paid. This measure is invaluable in protecting the collector. A sample receipt from Beaumont appears as Exhibit B. The collector should daily make a list of the receipts he has issued, giving the name of the payee, the receipt number, and the amount of the payment.

EXHIBIT B  
A SAMPLE TAX RECEIPT\*

City of BEAUMONT, Texas

RECEIVED FROM

TAX RECEIPT NO.

In Payment of Ad Valorem Taxes  
Levied for the Year

**1934**

On Real Estate and Personal Property  
Described Hereon.

DOLLARS, \$

Addition or Original Grantee	Lot or Tract No.	Block No. or Plat	Value	VALUATION:
				REAL ESTATE - - - \$
				PERSONAL PROPERTY -
				TOTAL ASSESSMENT - \$
				MUNICIPAL TAX - - - \$
				SCHOOL TAX - - - \$
				AMOUNT OF TAX - - - \$
				PENALTY - - - \$
				INTEREST - - -
				TOTAL - - - - - \$
				DATE PAID _____ 193
				C. J. STRACK, City Tax Collector
				Deputy

\*Reproduced through the courtesy of Mr. G. H. Petkovsek, City Manager of Beaumont, Texas.

The discussion up to this point has centered about the records which the assessor and collector must maintain for an adequate collection administration. It has been based on a simple collection calendar where taxes are due in one installment. The difficulties encountered in the last four years in collecting taxes has led to the adoption of various methods to make the payment of taxes easier and less burdensome to the taxpayer. Among the forms which these devices have taken is that of installment payments. In addition, means have been devised to bring in tax money prior to the delinquency date by offering discounts, and plans to stimulate payment before the taxes are due take the form of prepayment arrangements. The success of these different measures indicates that they will be used more extensively in the future. The following pages will be devoted to an explanation of split and partial payments, prepayments, and discounts.

*Split payment of current taxes should be provided, to make it as convenient and easy as possible for the taxpayer to meet his tax bill.* A split payment system prevails where the taxes are payable in two or more installments, usually equal in size, each installment being due on or by some predetermined date. In a sense the terms split payment and installment payment can be used interchangeably; all split payments involve payment by installments, but partial payments, to be described below, are also installment payments. If the city has not provided for split payments, it can be said that the taxes are due in one installment.

Very few individual taxpayers build up a reserve from their monthly income to meet the annual payment when the tax is due in one installment, but instead attempt to make such payments out of their current income. Since this is true, it is convenient to the taxpayer to be able to pay his taxes in two or more installments, for he can more easily take several small sums from his current income than one large amount. Installment payment is a device frequently employed in private business, and the attitudes and habits formed by the citizen in respect to these bills will carry over to the tax bill. The last few years has witnessed a

decided trend in favor of split payments. At the close of 1933 twenty-two states permitted the payment of current state taxes in two or more installments. Texas has provided that if one-half the tax bill is paid by November 30, the other half does not become delinquent till July 1, next. Many cities have adopted split payment systems, providing for semi-annual, quarterly, monthly, or weekly payments. The most popular plan is that which rests on two payments.

It is not necessary to go outside of Texas to discover a variety in split payment plans. Over 24 per cent of the Texas cities analyzed have two installments, usually falling six months apart; 5 per cent have four monthly installments; 2 per cent have five and 2 per cent twelve monthly payments each; 5 per cent have a combination of two arrangements, such as two and five and two and twelve installments. Borger has three installments due three months apart.

Each city adopting a split payment scheme must make its own decision as to the number and distribution of the payments. It would be advantageous, however, if the payments did not extend beyond the close of the current fiscal year, if they came at times when the taxpayers would be best able to meet them, and finally if they made the administration of billing and receipting as simple and expedient as possible. For purposes of comparison, five different split payment plans employed in Texas cities are explained. It should be noted that, with the exception of Wichita Falls, all of the cities with split payments also permit the payment of the entire tax in one installment.

(1) Fort Worth. Two installments, due October 1 and April 1; taxes become delinquent December 1 and June 1. If the first installment is not paid by November 30, the entire bill becomes delinquent December 1. Brownwood, Childress, Jacksonville, and Colorado use similar plans. The distinctive feature is that failure to pay the first installment makes the whole tax bill become delinquent forthwith.

(2) Alice. Two installments, the first due October 1 to December 1, and the second by June 30. If the first payment is not made by December 1, the entire bill is due February 1.

Cisco and Dallas use a like arrangement. This differs from the Ft. Worth plan in that if the first installment is missed, the entire bill is not due for two months or more.

(3) Wichita Falls. Two installments, the first due from October 1 to January 31, the second August 1. Failure to pay the first installment results in penalty and interest being applied on that half only starting from February 1. Sweetwater and Pecos also follow this plan.

(4) Corsicana. Four installments, due monthly, October to January. Abilene has five monthly installments. December 1 to April 1. San Antonio has permitted payment in five equal installments, on any dates from April 1 to June 1.

(5) Waco. Twelve monthly payments, due the first to fifth of each month. Temple and Jacksonville have also adopted the twelve-monthly-payments plan.

One arrangement adopted in some cities outside of Texas is quarterly payments. Pittsburgh operates on such a scheme, with the first quarter starting January 1. This distributes the burden of taxes throughout the entire year and furnishes a regular and somewhat even income for the city. If the fiscal and collecting years are not synchronized, however, the plan is defective, for the collections of one year will overlap the next fiscal year.

Cities which have adopted split payments are retaining them, which is an indication that they are being regarded favorably. The test of the success of any plan in a given city is the number of taxpayers using it and the amount of the collections under it. It is interesting to note the number of persons taking advantage of split payments in three different Texas cities. About 10 per cent of the taxpayers in Sonora used the four installments plan provided there in 1933-1934. In Waco over 57 per cent of the taxpayers started in with the monthly payment scheme, but half of them abandoned it and reverted to the two installment basis. Abilene gives the citizens their choice of either a two or a five payment plan; in 1933-1934 approximately 10 per cent of the taxpayers selected one type and a like number the other, though the trend of opinion seems to be in favor of the five installment arrangement. If one plan

## EXHIBIT C

A PORTION OF THE ASSESSMENT ROLL OF THE CITY OF WICHITA FALLS, TEXAS,  
SHOWING FORM FOR RECEIPTING SPLIT PAYMENTS\*

[illegible]

\*Reproduced through the courtesy of Dr. A. H. Douglass, City Manager of Wichita Falls, Texas.

does not accomplish the desired end in a particular city, another should be tried.

*When a city adopts a split payment plan, the assessment rolls and the receipting and billing records must be adapted to the new method.* The assessment rolls could well have some provision for recording the split payments. This is entirely feasible when there are two installments, but likely it cannot be done advantageously for more than three or four. A portion of the assessment roll of Wichita Falls is pictured in Exhibit C, which shows the form for receipting split payments on the assessment roll.

Cities have prepared a number of different receipt forms to fit their split payment schemes. These are usually designed to be used if and when the entire bill is paid at one time. Alice has prepared two separate and different receipt books. One receipt is given when the first half is paid. This is marked, "In payment of First Half City Taxes for the Year 1933. . . ." A form is used from the other receipt book when the last half is paid or when the whole bill is paid in one installment; on it appears space for the receipt number, the amount, and the date of payment of the first installment. Colorado, also operating with a two payment plan, has a single sheet, perforated into four sections. There is a receipt and cash stub for both the first half and the second half payments; if the entire bill is paid at once, both receipts are then given.

Dallas has a still different scheme. Two statements are mailed to the taxpayer, both of which must be mailed in by him with his check or brought in to the city hall; one serves as the taxpayer's receipt and the other as the office duplicate. If the taxpayer desires to split his payment, the first set of statements is destroyed, and another set of four is made, two to be used for the first payment and two for the second. The first pair is then properly receipted and the second retained in the office until the taxpayer returns to make the second payment.

Fort Worth prepares four copies of the statement-receipt. One copy is mailed as a statement, one becomes the taxpayer's receipt, one the collector's receipt, and the fourth goes to the auditor. On each copy the following appears:

First

Second Payment of the following tax for the year 1934 . . .

Full

There is also a place for the receipt number of the first payment. When a person splits the payment, a second set of forms is prepared when he calls at the office to pay the second installment. The receipt which the collector in Sweetwater gives on payment of the first installment is shown as Exhibit D. These receipting and billing methods have been offered as illustrations of actual administrative techniques; in planning its system, a city will be guided by the number of payments it has adopted, and by considerations of convenience to the taxpayer and economy and accuracy in the management of the tax office.

*Partial payment of taxes offers a flexible means for installment payments.* It is not easy to draw a clear distinction between split and partial payments. Both are types of installment paying, arguments favorable to one apply to the other, and split payments on a weekly or monthly basis come near to being partial payments. A partial payment plan may be defined as one where the taxpayer may make payments on his tax bill at any time and in any amount he desires. The two distinguishing features of partial payments are the irregularities of the amounts and of the times of payment. About 50 per cent of the cities of Texas permit partial settlements on the current roll. This is frequently allowed on the initiative and responsibility of the collecting officer, in an attempt to be of service to the taxpayers and to adjust payments to individual cases. In practice, partial payments on the current roll have been used very sparingly in Texas.

Partial payments are much like the "Christmas Savings" plans of tax collection, operating on a monthly or weekly basis. Portsmouth, Virginia, has adopted weekly payments,



# EXHIBIT D

## RECEIPT FOR FIRST INSTALLMENT OF TAXES\*

NO. 297

Name \_\_\_\_\_

General Fund \$ \_\_\_\_\_

Interest &  
Sinking Fund \_\_\_\_\_

Fire Dept.  
Fund . . . . . \_\_\_\_\_

Total . . . . . \_\_\_\_\_

Penalty . . . . . \_\_\_\_\_

Total . . . . . \_\_\_\_\_

Original  
Receipt No. . . \_\_\_\_\_

*First Installment  
1933 Taxes*

Date \_\_\_\_\_

City Assessor & Collector.  
\_\_\_\_\_

Deputy.  
\_\_\_\_\_

NO. 297

RECEIVED OF \_\_\_\_\_

The following amount in payment of First Installment of Taxes  
which are due the City of Sweetwater for the year 1933.

	Debit	Credit
Total amount of Taxes due the City of Sweetwater, Texas, for the year 1933, description of which is to be found on 1933 City Tax Roll, Page No. _____ .		
Original Receipt No. _____ .		
Credit—Account payment of First Installment which was paid on or before the 31st day of January, 1934		
Penalty—10 Per Cent . . . . .		
Credit—Account payment of First Installment plus penalty which was paid on or before the 1st day of April, 1934 . . . . .		
Balance—Due on 1933 City Tax to be paid on or before the 31st day of July, 1934 . . . . .		
NOTE—A complete description of real estate will be found on second and final receipt.		
Sweetwater, Texas, _____, 193____		
City Assessor and Collector		
By _____ Deputy		

\*Reproduced through the courtesy of Mr. W. H. Whaley, City Comptroller of Sweetwater, Texas.

though as far as could be discovered, no Texas city has such a plan. Frequently the rule is made that the payments cannot be below a minimum amount, say five dollars, or must be a certain percentage of the tax bill. Either of these arrangements will simplify the accounting problem.

*Either a pass book plan or a system of temporary receipts can be used with partial payments.* All of the cities surveyed which permit partial payments make use of temporary receipts, which are made out in duplicate. When a sum equal to the total bill has been paid, a permanent receipt is issued. Waco has twelve small detachable coupons with its tax receipt, for use with its monthly payment plan. Each coupon bears a number, 1 to 12, besides the number of the final tax receipt, which is given when the last monthly payment is made. These coupons, made in duplicate, serve as temporary receipts.

The pass book system consists of a deposit book, similar to those used by banks. A very practical one is a piece of cardboard folded to give four pages. The second and third pages provide space for filling in the date, the amount paid, the cumulative payment, and the name of the person receiving the payment. A cardboard jacket or envelope can be furnished as a protective cover for the pass book. This cover can list a set of rules and regulations for the use of the book. The system of temporary receipts permits the posting of the books during a lull in office work, while the pass book necessitates immediate recording. There should be a daily summary of collections and also a set of individual records in which each payment is posted in either system. The individual records may be cards or loose-leaf sheets, arranged alphabetically, with the pass book number on each card.<sup>6</sup>

*Another expedient to facilitate tax payments is prepayment of taxes.* By prepayment is meant the payment of taxes prior to the date they are due. Since prepayments are made prior to the collecting date, they cannot be for the full amount of the coming tax bill unless the rolls are

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<sup>6</sup>*Prepayment of Real Estate Taxes, League of Wisconsin Municipalities (1933), pp. 4-6.*

completed early; consequently prepayments are usually partial payments. Wisconsin provided in 1933 for advance partial payments. The Wisconsin statute authorizes advance payments up to 80 per cent of the previous year's tax, and provides that such moneys shall be kept in a trust fund and not made available till the taxes are due.<sup>7</sup> The advantages of such a scheme are that the city will obtain use of the taxpayers' money sooner than otherwise, while at the same time taxpayers will find the plan a convenient way to care for their obligation to the city. Cities often pay interest on prepaid taxes, a practice somewhat similar to discounts for early payments. Portsmouth, Virginia, accepts prepayments, paying 6 per cent interest on them. The payment of interest may be necessary as an incentive to make the taxpayer turn his money over to the city. If a city in the absence of prepaid taxes would have to borrow money at a high rate of interest, it would probably be wise to offer interest on prepayments. Several Texas cities reported that they permit advance or prepayments, but in actual practice such payments are seldom made.

*When a city accepts partial payments on taxes already due, the moneys should be available for immediate use.* A few Texas cities maintain separate accounts for partial payments, not transferring the funds to the regular accounts of the city till the entire bill is paid. Such a policy prevents the city from using moneys which are justly due it, and if this is consistently followed there will likely be an accumulation which the city can never spend. The city council should authorize partial payments and relieve the collector of any discretion as to whether or not they should be accepted. Baltimore, Maryland, which has a "savings bank" arrangement, has ruled that "all payments of money made by the taxpayer shall immediately become the property of the City of Baltimore, and the taxpayer shall in no event be entitled to a refund thereof." In the event that full payment is not made, the city could foreclose for the unpaid balance. Such final action would depend on the size of the account,

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<sup>7</sup>*Ibid.*, pp. 1-2.

the period delinquent, and other specific points affecting any particular case.

*Another practice which has been successful in accelerating tax payments is that of offering discounts for payment of taxes prior to the delinquency date.* Discounts are like interest on prepayments in that the taxpayer who meets his obligation will find his total bill reduced by a small percentage. Slightly over 15 per cent of the Texas cities offer discounts; over three-fourths of these graduate the sum remitted. For example, Corpus Christi gives a discount of  $1\frac{1}{2}$  per cent if the taxes are paid in October, 1 per cent if paid in November, and  $\frac{1}{2}$  per cent if paid in December, while Clarksville offers 4 per cent, 3 per cent, and 2 per cent discounts for those three months. Mission allows a discount of 8 per cent for October payment. Houston sets a flat discount rate each year, based upon the rate of interest which the city would pay if it borrowed money from a bank. The discount is usually  $4\frac{1}{2}$  to 5 per cent. "The discount is allowed," writes T. W. Browne, assessor and collector for the city of Houston, "until a fixed sum in taxes is paid in or on all taxes paid prior to a fixed date." During the month of June, 1934, \$400,000 was received in two days.

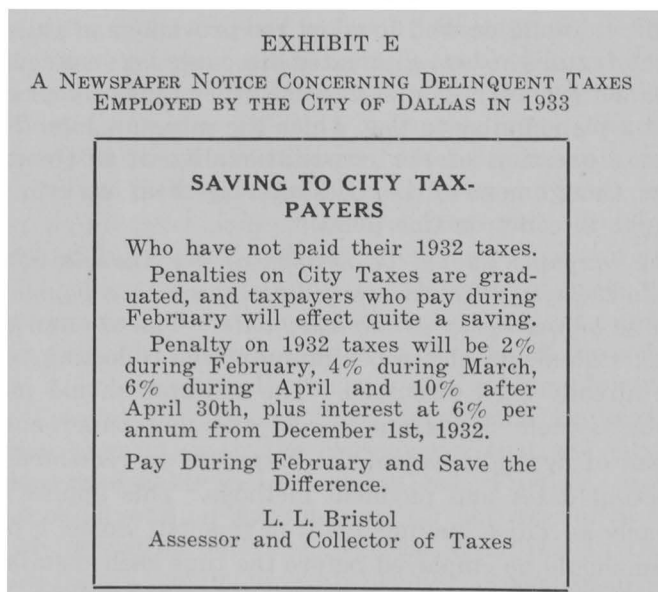
The policy of discounting is intended to speed up tax payments and relieve the city of the necessity of temporary borrowing. The disadvantage of the scheme, as the collectors view it, is that generally the only ones taking advantage of the discount feature are those who would be prompt in paying anyway, with the consequence that the city loses rather than gains in total collections. Further, discounts must be allowed on taxes marked for sinking funds as well as for operating expenses, whereas it is only in the case of the latter that moneys are usually needed early. Some persons support discounts because they favor the prompt payers: if it is justifiable to penalize the tardy payer, it is argued, it is only right to reward the early payer. If this is a reason for a city's offering discounts, it would seem better to have a discount rate of 2 per cent or less instead of 4 per cent or more. Discounts can also be given in a split payment plan for payment of the second installment

before it is due. Elmira, New York, for example, allows a 1 per cent discount on second installments which are paid at the time the first half is due.

Provision was made by the Forty-third Legislature of Texas in its Fourth Called Session (November, 1934) for graduated discounts on state and county taxes if paid prior to January of the year they are due. This provision was set forth in House Bill 6, which became effective January 1, 1935. If taxes are paid in October, 97 per cent of the total shall be collected, if paid in November, 98 per cent, and if paid in December, 99 per cent. These discounts may be adopted by cities and school districts by means of a resolution or ordinance. If a city in which the collecting period extends from October 1 to February 1 desires to offer discounts, it would do well to adopt the provisions of this law, for the feature of low, graduated discounts is commendable. Cities with collecting dates at some other time of year could adopt a plan similar to that which the state now has. There is some question of the constitutionality of discounts in Texas, though none of the cities offering them has ever been brought to court on this point.

*The taxpayer should be notified of his financial obligation to the city prior to every date on which a payment is due and before every delinquency date.* The use and value of tax statements at the beginning of the collecting period have already been discussed. The collector should plan a regular system of letters, cards, and newspaper notices, instead of depending upon the taxpayers to remember the collecting dates and payment methods. This applies particularly to cities having split payments. Some type of notice should be employed before the time each installment is due, and likewise before every delinquency date. Take for example a two-payment plan such as Dallas uses, where the statements are mailed by October 1, the first installment must be paid by November 30 or the entire bill falls due February 1, and the second installment is due April 30. A system of notices could be devised in somewhat the following manner:

- November 20 Newspaper advertisement calling attention to the fact that the first installment is due by December 1 and listing the delinquency dates.
- January 15 Newspaper notice reminding those whose entire bills are yet unpaid that January 31 is the dead line for payment.
- January 20 Cards or letters to those who to date have made no payments, warning them of the approaching delinquency date.
- April 15 Newspaper advertisement reminding those on the split payment plan that April 30 is the last day for payment of second installment.
- April 20 Cards or letters to those who have not yet made their second payment.



A newspaper advertisement used in Dallas appears as Exhibit E. If the city has adopted some new feature in its collection program, such as discounts or graduated penalties, the taxpayers should receive adequate notice of such action through the medium of newspapers or cards. Furthermore, a city operating on a monthly payment plan might

# EXHIBIT F

## COMPARATIVE STATEMENT OF MONTHLY RECEIPTS†

City of \_\_\_\_\_

For the Month Ending September 30, 1933

Sources of Income by Funds  (1)	Total Estimated for 1933  (2)	This Month			Total to Date			Balance Still Due  (9)
		Estimated Receipts  (3)	Actual Receipts  (4)	Over or Under Estimate (5)	Estimated Receipts  (6)	Actual Receipts  (7)	Over or Under Estimate (8)	
<i>General Fund</i>								
Real Estate Taxes	200,000	5,000	6,000	* 1,000	130,000	126,000	4,000	74,000
Personal Property	30,000	12,000	12,100	* 100	29,000	28,000	1,000	2,000
Share of State Income Tax	12,000	200	100	100	6,500	6,400	100	5,600
Licenses	10,000	600	500	100	9,800	9,600	200	400
Etc.								
Sub Total	252,000	17,800	18,700	* 900	175,300	170,000	5,300	82,000
<i>Water Fund</i>								
Metered Sales	120,000	12,000	11,800	200	90,000	89,500	500	30,500
Other Receipts	5,000	500	400	100	3,800	3,500	300	1,500
Sub Total	125,000	12,500	12,200	300	93,800	93,000	800	32,000
<i>Electric Fund</i>								
Metered Sales	240,000	20,000	19,700	300	172,000	171,500	500	68,500
Other Receipts	5,000	500	550	* 50	3,600	3,500	100	1,500
Sub Total	245,000	20,500	20,250	250	175,600	175,000	600	70,000
<i>Highway Tax Fund</i>								
Share of Gas Tax	40,000				39,600	38,800	800	1,200

\*Indicates receipts in excess of Estimates.

Explanation: This statement shows how actual city receipts are holding up in comparison with estimates. When the budget is prepared, forecasts should be made of each kind of receipts for each month. Columns 3 and 6 on this statement show these estimates. Then by listing the actual receipts in columns 4 and 7, officials can quickly tell which sources of revenue are not meeting the forecasts. The statement thereby provides a control over receipts and points out when it is advisable to exercise greater collection efforts or to revise the expenditure program or to search for new kinds of revenue. This statement was prepared with the assistance of the Municipal Finance Officers' Association.

†Reproduced through the courtesy of Public Administration Service, Chicago, Illinois.

## EXHIBIT G

## DAILY FINANCIAL REPORT: STATEMENT OF BILLINGS AND COLLECTIONS\*

City of \_\_\_\_\_

Date, June 14, 1933

	Today		Collections Accumulated For		Collections Accumulated For	
	Amount Billed	Amount Collected	This Year to Date	Last Year to Date	This Month	Same Month Last Year
1. Tax Collections		216	200,000	215,000	2,760	4,100
2. Per Cent of Levy			47.3	51.7	-----	-----
3. Other Estimated Revenue		86	50,000	59,700	1,240	1,976
4. Per Cent of Budget Est.			68.1	71.7	-----	-----
5. Water Dept. Collections	4,012	3,600	56,000	60,400	3,600	4,200

\*Adapted to use here through the courtesy of Public Administration Service, Chicago, Illinois.



make a practice of sending a form card monthly to those paying under that scheme, or at least to those inclined to be negligent in their settlements.

About 24 per cent of the cities studied resort to newspaper notices alone to contact the taxpayers after the time taxes are due and payable, 9 per cent send out cards or letters only, and some 15 per cent employ both advertisements and mailed communications to remind the citizens of the collection rules and their obligations. Most of the notices are warnings of approaching delinquency dates. In several municipalities such notices are used irregularly.

Mention remains to be made of the statements of money received which good financial administration demands. The collector must maintain adequate records of his collections, both on the current and the delinquent rolls. The monthly statement of current tax collections ought to indicate the monthly collection, the cumulative collections for the year, a comparison of the estimated receipts with the actual receipts, and the total amount of the levy yet outstanding. Exhibit F shows a comparative statement of monthly receipts. This might further include a comparison with the collections of the previous year. Some cities have found a daily financial report of value. Such a report is shown as Exhibit G. The larger cities will likely find daily reports more beneficial than smaller ones. The value of financial statements such as these is in knowing at any particular time the exact status of the city's finances, and in determining the way in which the budget plan is working in actual operation.<sup>8</sup>

The principles and suggestions set forth in this chapter constitute those essential elements of a good collection system which reason and experience demonstrate are necessary for a maximum collection of current taxes. The elimination of short-term delinquency will automatically banish

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<sup>8</sup>Every city is required to report annually in September to the state auditor, through a county officer, the total amount of taxes collected in the previous fiscal year, the amount delinquent for that year, the amounts credited to the sinking funds, and the amount of outstanding indebtedness. *Revised Civil Statutes*, Article 7264b.

long-term delinquency. It is not too much to hope that in the future, if these methods are followed, delinquency of over 10 per cent on the current levy will be exceptional. The present situation, in which large amounts of taxes due remain delinquent, demands drastic measures to remedy the shortcomings of a system of administration long known to be basically unsound. The discussion here concluded has dealt primarily with current collections; that is, with the matter of avoiding delinquency. The chapter which follows is devoted to the problem of bringing in taxes already delinquent.

## CHAPTER III

### DELINQUENT TAX COLLECTION

The problem of collecting municipal delinquent taxes has been a most pressing one in the last four years. Not only have the cities given their attention to reducing as much as possible the amount of unpaid taxes on the current roll at the end of the year, but they have also concentrated upon those already delinquent. Few cities can claim the record of New Braunfels, Texas, where, on February 1, 1934, there was a delinquency of only 2.8 per cent on the 1932 rolls and 8.4 per cent on the 1933 rolls, with two months remaining before the tax year was completed. La Grange has had collections of well over 90 per cent on the current rolls for the last decade with but one exception; collections in 1932 fell to 89 per cent.

Mr. Frederick L. Bird, Director of Municipal Research of Dun and Bradstreet, found that the average yearly delinquency of 145 cities over 50,000 in population increased from 12.9 per cent in 1930 to 26.3 per cent in 1933.<sup>1</sup> His statistics show further that the average percentage of delinquency for 1933 of the five Texas cities between 100,000 and 300,000 was 28.04 per cent while that of all the United States cities in that range was 26.1 per cent. In the population group from 50,000 to 100,000, the average delinquency in 1933 for the country was 27.4 per cent, while that of four Texas cities in this group was 23.45 per cent.

Over 55 per cent of the cities furnishing data in the present survey reported that 30 per cent or more of the 1933 levy was still unpaid one year after it was due. Comparative figures for 1932 and 1933 indicate that there is a slight drop in yearly delinquency percentages. This favorable trend may be the result of improved general economic con-

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<sup>1</sup>"The Four Year Trend in Tax Delinquency," in *National Municipal Review*, February, 1934, pp. 110-116. The report of the U. S. Census Bureau on trends in property tax delinquency for all states shows nearly a 100 per cent increase from 1931 to 1933.

ditions or of the thousands of dollars which have come into the state through the Home Owners Loan Corporation. Moreover, the action of cities in reducing tax rates and improving collection methods has been a significant factor. The present chapter deals with the methods employed and the difficulties involved in obtaining payment of back taxes.

*Every city must maintain adequate delinquency records.* Accurate and complete records are as necessary for delinquent as for current taxes. In several cities it was found that the delinquent rolls are not kept up to date. Good office management demands two types of delinquency records. The first is a yearly delinquency roll, prepared soon after the delinquency date, or in the case of split payments, after the last installment becomes delinquent. This takes the same form as the current assessment roll, with additional columns for penalty, interest, and costs. The second set of records is a card or loose-leaf file arranged by block and lot, giving the total delinquency for each parcel. This cumulative feature makes the work of preparing delinquency statements infinitely easier and quicker. The names and addresses of the owner or owners are placed on these cards as well as the amount unpaid for each year.

Finally, the collector should prepare monthly and yearly statements of unpaid taxes, giving the amount and percentages on each year's tax levy. The statements could also show the monthly trend of collections. Exhibit H is a sample monthly statement of unpaid taxes. A report of delinquent collections should also appear on the daily, monthly, and yearly reports of city receipts; the last two should give the amount received on each year's accounts, besides the penalties, interest, and cost charges collected. The monthly statements might show the cumulative delinquent collections to date for the fiscal year.

*The tax collector should adopt a regular system of notices and statements to delinquent taxpayers.* Over 90 per cent of the Texas cities utilize statements or letters, or both. Yet several of these cities have no regular times when they employ such notices, and a few send them to only a few or a

**EXHIBIT H**  
**MONTHLY STATEMENT OF UNPAID TAXES\***

City of \_\_\_\_\_

Month Ending September 30, 1933

REAL ESTATE TAXES			Monthly Trend of Collections in Per Cent of Amount Unpaid				Per Cent of Levy Collected This Date Each Year	Remarks
Year	Amount of Levy	Amount Unpaid This Date	Jan. 1	July 31	Aug. 31	Sept. 30		
1929	250,000	3,500	3.9	2.7	1.6	1.4	64.3	Installment plan for delinquent taxes adopted July 1, 1933. Considerable publicity on plan furnished by daily press. Second half payment becomes due on November 1.
1930	240,000	4,080	4.6	3.3	2.5	1.7	63.5	
1931	230,000	9,600	8.7	6.9	4.8	3.6	61.0	
1932	215,000	12,900	10.4	8.7	7.1	6.0	59.7	
1933	200,000	74,000	---	47.5	40.3	37.0	63.0	
Totals		104,080						

PERSONAL PROPERTY TAXES			Monthly Trend of Collections in Per Cent of Amount Paid				Remarks
Year	Amount of Levy	Amount Unpaid This Date	June	July	August	Sept.	
1929	20,000	120	1.1	1.0	0.8	0.6	Pamphlet on delinquent tax collection circulated in August by boy scouts.
1930	25,000	250	1.5	1.4	1.2	1.0	
1931	26,000	286	1.7	1.5	1.3	1.1	
1932	28,000	560	3.0	2.8	2.3	2.0	
1933	30,000	2,000	43.0	21.7	12.9	6.6	
Totals		3,216					

Explanation: This table illustrates the trend and exact status of tax payments for real estate and personal property. Even if a city does not collect its own taxes but receives settlements from the county this statement should be prepared so that the city may adjust its fiscal policies in the light of its share of receipts. In those cases, collection figures will be obtained from county officials. This statement has been prepared with the assistance of the Municipal Finance Officers' Association.

\*Reproduced through the courtesy of Public Administration Service, Chicago, Illinois.

selected group of delinquents. Some never send a statement or letter unless they are threatening a tax suit. No city should fail to mail some type of notice immediately after the delinquency date. This may be a delinquent tax statement, similar in form to that used for current taxes, but listing the delinquency by years and including penalties, interest, and costs. A delinquent tax statement form from Temple appears as Exhibit I. Again, a card or letter may be sent which states the total amount of the unpaid bill and urges immediate payment. In either case, the amount assessed for penalty and interest ought to be stated clearly on the notice. A statement and a letter may of course be mailed together. A letter-statement employed in Fort Worth is shown as Exhibit J. This is followed by letters from the tax attorney.

Further letters and notices should be used when advantageous; factors determining the decision in this matter are the amount of the delinquency, the filing of tax suits, and graduated penalty provisions. When a city permits the settlement of back taxes by installment payment, cards might be mailed previous to each date when an installment is due. Another measure to inform persons of their back taxes and reduce mailing costs, calls for showing the delinquency on the annual current tax statements.

Many times delinquent property is mortgaged. In such cases the mortgagee has a distinct interest in the property and in the possibility that it may be foreclosed by the city for taxes. For this reason, the mortgagee should also receive a statement of delinquency. Over 55 per cent of the cities reporting answered that they do notify the mortgagees, though it is most likely that the bulk of them do so only if suit is to be filed, or if the mortgagee requests a statement. Very often the lienholder takes an active interest in pushing city collections: a building and loan company in Lansing, Michigan, collects taxes itself and turns them over to the city. Another scheme is for the city to ask the lienholder who is collecting rentals to share those of alternate months with the city.



## EXHIBIT J

## A SAMPLE LETTER TO A DELINQUENT TAXPAYER\*

## COUNCILMEN

Willard Burton  
 J. R. Penn  
 Sam J. Callaway  
 T. J. Harrell  
 Jerome C. Martin  
 Wm. Monnig  
 Dr. W. R. Thompson  
 John. B. Davis

Van Zandt Jarvis, Mayor

Geo. D. Fairtrace, City Mgr.

## CITY OF FORT WORTH

FORT WORTH, TEXAS,

W. T. MACY

Tax Assessor and Collector

Dear Sir:

The City Tax Records show that you own Lots \_\_\_\_\_  
 to \_\_\_\_\_, Block number \_\_\_\_\_ in  
 \_\_\_\_\_ Addition to the City of  
 Fort Worth, which are delinquent and due for years \_\_\_\_\_  
 in the approximate amount of \_\_\_\_\_.

Delinquent taxes must be paid and may be paid in partial payments.

I hope you will call at the tax office at your earliest convenience with the idea of discussing some plan to pay these taxes. If it is inconvenient to call, please answer by letter.

The expenditures of the City government are based on the collection of these delinquent taxes. If a part of them are unpaid it places an extra burden upon those who do pay.

It will be our pleasure to coöperate with you in every way before referring these matters to the legal department for their action.

Yours very truly,

W. T. MACY,  
 City Assessor & Collector.

\*Adapted to use here through the courtesy of Mr. George D. Fairtrace, City Manager of Fort Worth, Texas.



*A small maximum penalty on delinquent taxes, added on a graduated scale, with a fairly heavy interest rate seems to be most desirable.* The penalty and interest ought to be sufficiently heavy to discourage non-payment of taxes and yet not so severe that the taxpayer will consider it a hopeless task to attempt to settle his back taxes. Still more important is the enforcement of those penalties which are established; as in criminology, certainty of punishment is more to be feared than legal provisions for severe sentences. It is highly desirable that the penalties be graduated. This is fair to the taxpayer who is able to make payment shortly after the delinquency date, for his penalty certainly should be less than that of the person who waits a year or longer to settle. Moreover, if the penalties are graduated, there is greater incentive for the delinquent to pay as soon as possible to prevent further accumulations on his bill.

It is possible to find almost unlimited variety in amounts and gradations of penalties in American cities. From the present study of Texas cities, it would seem that over 90 per cent of them provide a maximum penalty of 10 per cent of the tax bill plus interest at 6 per cent per year. These percentages, it is to be noted, are those which were provided by the state law until it was altered in November, 1934. Three of the home rule cities surveyed attach a 5 per cent penalty with 6 per cent interest; a small number add interest only to the bill. Over 17 per cent have adopted graduated penalties. Lufkin and Jacksonville have provided for graduations of 1 per cent a month, and San Antonio for 2 per cent a month.

House Bill 6, passed by the Fourth Called Session of the Forty-third Legislature and mentioned above in connection with discounts, also provides for graduated penalties on state and county taxes. A penalty of 1 per cent is attached if taxes are paid in February, 2 per cent if in March, 3 per cent if in April, 4 per cent if in May, 5 per cent if in June, and 8 per cent if in July or thereafter. Interest at 6

per cent runs from July 1. If a person has split his payment, no penalty or interest is added unless the second installment is unpaid, in which case the 8 per cent penalty and 6 per cent interest attach July 1.

These penalty and interest provisions may be adopted by general law cities, since they are a part of Article 7336, *Revised Civil Statutes*, which is made available by virtue of Articles 7337 and 7343.<sup>2</sup> A general law city in which taxes become delinquent on February 1 may well accept the features of Article 7336, if it wishes to impose graduated penalties. The reduction of the maximum penalty from 10 to 8 per cent is to be commended. Articles 7337 and 7343 do not apply to home rule cities, which may select any penalty measures they wish.<sup>3</sup>

There appear to be no statutory provisions which give general law cities the right to levy penalties and interest except Articles 7337 and 7343, and these limit the selection to the provisions of Article 7336. Therefore, while a general law city may collect taxes at some time other than October 1 to February 1, it then has no right to attach penalties and interest. Moreover, if a city elects to follow the provisions of Article 7336, it must accept the penalty provisions as they stand, or not at all. In other words, a strict interpretation of the Texas statutes would hold that only by following Article 7336 may a general law city impose penalties for tax delinquency. It would be desirable for the Legislature to remedy this apparent defect in the statutes, and give general law cities liberty to impose such penalties as they wish.

*It is suggested that a city with freedom to select the penalty and interest it charges adopt a penalty of 5 to 8 per cent, graduated at 1 or 2 per cent a month, with a 6 per cent*

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<sup>2</sup>Article 7343, *Revised Civil Statutes*, reads in part as follows: "All laws of this State for the purpose of collecting delinquent State and county taxes are by this law made available for, and when invoked shall be applied to, the collection of delinquent taxes of cities and towns and independent school districts in so far as such laws are applicable."

<sup>3</sup>*Ibid.*, Article 1175 (9).

*interest charge.* A 5 per cent penalty is recommended by several authorities. The penalty should be no lower, or it would be profitable for an individual to hold on to his money rather than pay his taxes. On the other hand, a 10 per cent penalty is too severe. Interest can be charged from the first day of delinquency, or from the time the maximum penalty becomes effective. It should be added the first of each month and expressed in terms of a rate per month instead of on a per annum basis, to ease the work of the collector. The arrangement of Fort Worth, whereby delinquents are penalized by an interest charge alone, has good points. The rate of interest is 1 per cent a month. This serves in effect as both (graduated) penalty and interest, and reduces book-keeping work.

A city with split payments will find it necessary to adjust the delinquency provisions to its particular system. For example, failure to pay the first installment may cause penalty and interest to attach to the entire bill immediately, or only to the first half up to the delinquency date of the second half. When the first half is paid but the second is not, penalty on the latter may prevail on the last day for payment of the second installment or on some previous date.

*Installment payment, either split or partial, of delinquent taxes has been adopted and found useful in many cities.* In an effort to reduce delinquency and turn frozen assets into cash, and at the same time protect the property owner from foreclosure and permit him to pay in accord with his ability, eighteen states and many cities have worked out schemes for easy payment of delinquent taxes. Five states extend the time for settlement over a ten-year period, and Texas adopted an installment system for state taxes with five equal payments extending from September 30, 1933, to December 31, 1935. Even though the Texas Legislature gave the cities the right to adopt this plan, a negligible portion took advantage of the opportunity. Usually the prompt payment of the installments is required or else the tax reverts to its original status.

This does not mean that Texas cities have not allowed installment payment of delinquent taxes, for 58 per cent have done so in one way or another. One plan is a system of regular payments, which when completed will liquidate the tax bill. In the last two years, 17 per cent have utilized this type. Included in this number are Sweetwater, which allowed four installments for all delinquent taxes between September 15 and December 15, 1933; Abilene, which provided for payment of 1932 taxes in six installments during 1933-1934; and Clarksville, which operated on a contract plan, allowing the taxpayer to select his own amounts and dates of settlement.

The second type of installment, partial payments, are permitted in over 35 per cent of the cities, most of these being in the larger population brackets. Partial payments on delinquent taxes operate in the same way as those on current taxes. The collector will accept any amount at any time the taxpayer wishes to pay; temporary receipts are issued until the total tax bill for one year is settled and then a redemption receipt is given. The comments made in Chapter II on receipting methods for partial payments are applicable here.

A system of a specific number of payments over a certain period has the advantage of furnishing definite objectives for the delinquent in reducing his obligations, and, moreover, it can be placed upon a contract basis which should stimulate some feeling of responsibility on the part of the taxpayer. Partial payments are good in that they are flexible and easily adjusted to individual situations. Perhaps the city should use a combination of the split and the partial payment schemes. Tyler has successfully tried an arrangement where a contract is made for ten monthly payments of a dollar or more; this appears to give specific objectives and yet be adaptable to individual cases.

*Cities should not remit or reduce penalties and/or interest on delinquent taxes.* This is a principle which cannot be over-emphasized and which should be departed from only in extreme emergencies. The truth of the matter is that

"penalties are ineffective to stimulate tax collections unless they are enforced as provided by law."<sup>4</sup> Reduction or remission measures are unjust to the honest and responsible taxpayer who, often at a sacrifice, makes his payments promptly; upon him falls the burden of supporting the government which serves delinquents as well as himself. Lenient measures are apt to intensify the causes of delinquency. A remission policy always causes many persons who would otherwise pay promptly to keep their money the next year, for they reason, too often correctly, that the legislative body will again provide for remission the next time delinquency becomes high. The habitual delinquent is certainly not reformed by a remission policy. It is unfair to all concerned to encourage him in his negligence or to assure him of undue leniency. This only intensifies his difficulties, for ultimately he must pay his obligations or the city must foreclose.

Actual facts substantiate the statement made by Mr. Louis H. Burke, legal counsel of the League of California Municipalities, who states that "It is noteworthy that cities applying the most rigid laws with respect to tax penalties and redemptions have been found to be in the best position financially."<sup>5</sup> It is wholly likely that the undeviating enforcement of penalty provisions is the cause instead of the effect of a sound financial condition. City tax collectors are almost unanimously opposed to a policy of remission of penalties. The Texas Municipal Finance Officers' Association at their 1934 conference resolved that a remission policy was "conducive to further delinquency," and protested against the adoption of such a policy.

Over 75 per cent of the cities surveyed have remitted or reduced penalties and/or interest in the three years prior to November 1, 1934. Some cities remitted annually by simply moving the delinquency date a couple of months

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<sup>4</sup>*Realty Tax Delinquency, Volume I, Current Tax Delinquency, Part I*, U. S. Bureau of the Census, 1934, p. 4.

<sup>5</sup>"And What of Your Tax Ordinance?" in *Western City*, August, 1934, pp. 13-14.

ahead, others remitted more frequently for a short period each time, and still others remitted only once in the three years. It was found that in some instances the remission applied only to the taxes of the previous year, while in others all delinquent taxes could be paid without penalty. One-third of the cities giving information on the subject reported that remission had increased collections; the others claimed very poor results. Even though a remission policy may have a good effect when used for the first time or two, it is at best a temporary stimulant and will lose its effectiveness with continued use.

*Remission of penalties and interest on city taxes is a matter upon which the city council alone should decide.* This principle is founded upon the belief that cities should have the greatest degree of self-rule possible. The home rule amendment to the Texas Constitution is proof that the electorate shares this conviction. City officials are in agreement that it is the right of the cities to decide upon their own tax remission policies. When the Legislature in 1933 authorized cities to adopt provisions for graduated penalties of 1 to 6 per cent on delinquent taxes, extending from September, 1933, to July, 1934, only a negligible number saw fit to adopt this policy. The Fourth Called Session of the Forty-third Legislature made mandatory on cities the remission of penalties and interest on all taxes delinquent on August 1, 1934, effective from February 9 to March 15, 1935. Many cities remitted immediately to prevent all collections on unpaid taxes from being delayed until February, 1935. It should be mentioned at this point that a general charter city can remit penalties by repealing the ordinance which adopted the provisions of Article 7336, *Revised Civil Statutes*, which is the source of the power of general law cities to collect penalties. A home rule city can remit by either charter amendment or ordinance, depending upon the terms of its charter.

*Tax collecting should terminate with proceedings against the delinquent property owners to satisfy the obligations due the city.* Cities as a rule are slow to bring legal action to

force the delinquents to pay or to foreclose on their property. "The use of the tax sale as a means for enforcing collection appears to have a direct relation to the amount of tax delinquency," reported the U. S. Census Bureau (in *Current Tax Delinquency, Part I*). Suit should be filed from six months to a year after the delinquency date. Only a small percentage of the cities follow the practice of making tax sales, which have been fewer than ever in the last four years. Cities reported that they have had few suits since 1929—"not in recent years," "none since 1923," "seldom," and "use suits as a last resort" were the phrases most frequently used. Only 5 per cent of the cities made any collections at all from tax suits in the 1933-1934 fiscal year, and the only collection of significance was from a suit instituted several years before. One can conclude that tax suits are exceptional in Texas cities, though it should be said that some cities do make a practice of threatening or filing suit, which frequently is sufficient to bring in the payment. Furthermore, several cities plan some decisive action on filing suits early in 1935, while others have decided upon a more stringent policy as a result of the state mandatory remission provision.

During a period of economic stress, the city council realizes that many persons are in difficult circumstances and desires for that reason to follow a generous policy. Yet there is a large element of laxity on the part of the governing body in the matter of tax suits which is not entirely excusable. Again, there may be no one official responsible for pushing legal action. The collector, who is most interested in collections, may be without proper authority and the matter may be turned over to the city attorney, who has other and perhaps more pressing tasks. The subject of tax suits is an important one in tax collection and no handbook of procedure would be complete without some mention of the legal provisions now in effect and the practices which experience has demonstrated are most effective.

*The tax collector should make a classification of delinquencies as a basis for tax suits.* Real estate parcels could

be divided into those which appear to be most easy of collection, those in which collection is unlikely, and finally those which look like dead losses. Attention should be given without delay to the first group. Frequently a small number of persons are responsible for a large per cent of the total amount delinquent and are in a position to pay, but are waiting with the expectation of being able to settle without penalty. For example, in one city a single tax collection suit brought in a sum equal to 25 per cent of the current collections for that year. It is well to concentrate on the short-term delinquency, since this will prevent it from developing into long-term delinquency which increases the difficulties of paying and collecting. Finally, personal property runs high in delinquency; it is wise to work this more expeditiously than real estate since merchandise and automobiles can be moved away from the city. Cities might profitably analyze delinquent real estate to determine for what percentage of the total amount each particular type (such as vacant lots, apartments, one-family dwellings, business houses) is responsible.

*Home rule cities will have provisions for tax suits and foreclosures in their charters, while general law cities must follow the procedure laid down in the Revised Civil Statutes.* As a rule, home rule cities delegate to the city attorney the duty of enforcing collection of taxes by legal action, while the statutes provide that the assessor and collector of other cities shall sell delinquent property.<sup>6</sup> In the larger cities the practice is to appoint a special tax attorney; usually he is a member of the staff of the city attorney's office, though occasionally he is responsible directly to the city's administrative head. The accepted practice is for the collector to attempt to bring in the unpaid taxes by letters or other contacts. If this fails, the matter is turned over to the attorney, who uses extra-legal or legal steps to enforce the collection. When the responsibility is shifted from the collector to the attorney, proper receipts should be given as

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<sup>6</sup>*Revised Civil Statutes*, Articles 1044 and 1058.



proof that the matter has advanced beyond the jurisdiction of the collector.

Some smaller cities have made contracts with private attorneys for collection of delinquent accounts. The attorney is paid a percentage of the amounts collected, and he may use his discretion in the number of suits he files and in concluding them by sale. Experience indicates that the benefits to be gained from retaining outside attorneys come more from threat of suit than from actual foreclosure. This practice is not recommended, for the city officials themselves should shoulder the responsibility for collections.

*There are two methods pursued in forcing payment of delinquent accounts.* The first consists in the city's selling the tax lien for its face value, the purchaser receiving a tax certificate which permits him to foreclose after due time. If the owner wishes to recover or redeem his property, he must pay the holder of the tax certificate the amount of the delinquent tax plus interest from the time the lien was sold. It is best to sell the lien to the one who will charge the lowest interest rate.

The second method involves a foreclosure proceeding as the initial step. Here a judgment is obtained by the city against the property as in any mortgage foreclosure. The property is then sold, and the city receives the taxes, penalties, and interest due it. Unless the property is redeemed within a stated time, it becomes the property of the one who purchased it at the foreclosure sale. Adequate rules to provide a clear title must be established. The Committee on Tax Delinquency of the National Tax Association recommends this method.

*Most home rule charters and the Texas statutes provide for the second of the methods outlined above, namely, that where foreclosure on delinquent property is the initial step.* The Texas Constitution was amended in 1931 to make Article VIII, Section 13, read as follows:

Provision shall be made by the first Legislature for the speedy sale, without the necessity of suit in Court, of a sufficient portion of all lands and other property for the taxes due

thereon, and every year thereafter for the sale in like manner of all lands and other property upon which the taxes have not been paid; and the deed of conveyance to the purchaser for all lands and other property thus sold shall be held to vest a good and perfect title in the purchaser thereof, subject to be impeached only for actual fraud; provided, that the former owner shall within two years from the date of the filing for record of the Purchaser's Deed have the right to redeem the land on the following basis:

(1) Within the first year of the redemption period upon the payment of the amount of money paid for the land, including One (\$1.00) Dollar Tax Deed Recording Fee and all taxes, penalties, interests and costs paid plus not exceeding twenty-five (25%) per cent of the aggregate total;

(2) Within the last year of the redemption period upon the payment of the amount of money paid for the land, . . . plus not exceeding fifty (50%) per cent of the aggregate total.<sup>7</sup>

So far the Legislature has neglected to make the provisions which this amendment makes mandatory. When such action is taken, there is the possibility of an extensive change in the law governing tax sales. The paragraphs below outline the important points in the Texas law as it exists at present.

General law cities are authorized to hold tax sales to dispose of real and personal property.<sup>8</sup> The legal provisions on seizure and sale of property for state and county taxes are applicable to general law cities by virtue of Article 1063, and of Article 7343, previously quoted. The latter law provides that the governing body of any municipality may have a list of delinquents prepared, which serves, when properly certified, as evidence of their obligation to the city. This list may be published on the discretion of the council. Many cities, in keeping with the law, print a notice on the delinquent statement to the effect that unless payment is made within thirty days, the city "will institute suit for the collection of such monies and for the foreclosure of the Constitutional lien existing against such land and lots." Failure to send or to receive notice is not a defense in any tax suit.

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<sup>7</sup>House Joint Resolution 24, General Laws, Forty-second Legislature, Regular Session, 1931, pp. 918-919.

<sup>8</sup>*Revised Civil Statutes*, Articles 1041, 1044, 1058, and 1148.

The enforcement of the tax lien is by the sale of a sufficient portion of the real estate to cover the amount due in taxes, penalties, and interest. "Such suit shall be brought as an ordinary foreclosure for debt. . . ." The purchaser of the property receives a deed which becomes absolute in two years. In case no one offers a sum equal to the amount of taxes due, the land becomes the possession of the city, which may sell it in two years to the highest bidder. At any time during the two-year redemption period, the owner may redeem his land by paying twice the amount of the purchase price plus the cost of the sale and the taxes since the sale.<sup>10</sup> Delinquent personal property may be seized and if this is insufficient, real estate may also be seized to care for the tax due.

It is recommended that leniency in enforcing collections be granted by extending the time allowed for redemption rather than by postponing the sale itself. The state law permits, but does not make mandatory, the filing of suit soon after delinquency. Delinquent lists are to be made in July, immediately after taxes become delinquent, after which notice may be given and suit started thirty days thereafter. Suits should be filed within a year after the taxes are due and payable; when the fiscal and tax year coincide, this will bring the suits at the close of the fiscal year. A city which adopts a policy of foreclosures must not neglect to notify the owners and lienholders of its intention to file suit. Likewise, after foreclosure the interested parties ought to receive further notification as a protection against ignorance or misinformation. Finally, the law should protect the worthy poor. Flint, Michigan, pays the back taxes of such persons and takes a mortgage on their property.

Texas cities at present are not faced with one difficulty which has appeared in places where there have been real

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<sup>9</sup>*Ibid.*, Article 7326.

<sup>10</sup>*Ibid.*, Articles 1059 and 7340. A charter provision in Houston denied the right of redemption; this was held invalid as conflicting with general law. *Brown v. Fidelity Investment Co.*, 280 S. W. 567 (1926).

estate booms, or in states where certain natural resources have been exhausted. This is the problem of tax abandoned land. State governments often are finding themselves in possession of cut-over timber land and submarginal farm land, which have reverted to the public domain through non-payment of taxes. Extensive planning and intelligent utilization will be necessary to convert these tracts into anything but liabilities. A city which adopts a policy of foreclosures will in all probability find few bidders for the property and the land will revert to the city. It could then be sold after a time for what little it would bring, though chances are it would again become delinquent. Mr. T. B. Augur, city planner of Detroit, makes the observation that it is better to retain such property and use it to advantage rather than to sell it at a loss. It could be used for welfare gardens or recreational purposes, or for re-platting and re-organization of the physical outlay of the city. Thus by holding the land, the city has the possibility of putting it to several possible uses which will benefit the community and culminate in lasting improvements to the municipality.

Even though proper administrative techniques will result in the reduction of yearly delinquency, there will remain a sufficient amount of unpaid taxes after the delinquency date to make it profitable for the city to pursue measures to effect settlement. A consistent policy of applying penalties and interest along with the threat of certain foreclosure after a reasonable period will result in a decrease in unpaid accounts. Every means should be used to inform the citizen of his obligations and of the legal provisions affecting back taxes. Moreover, plans for easy payment of delinquent taxes by installments will benefit the taxpayer as well as the city.

## CHAPTER IV

### SPECIAL DEVICES FOR COLLECTION

Certain methods and steps in tax collection procedure which it is believed ought to be a regular part of any city collection system have been suggested in the preceding chapters. These proposals can be thought of as the usual practices which a city could profitably follow. They have been presented as interrelated parts of one continuous collecting program. Attention can now be given to some measures which can be employed in any collection set-up. These measures are not related to or dependent upon each other except in so far as they bear upon the main subject of tax collection.

*Special or outside collectors can be employed by the city to collect delinquent taxes and determine causes for non-payment.* The term special collectors may be applied either to outside attorneys who contract to collect delinquent taxes and who have the right or the obligation to start suit, or to persons, hired by the city to perform field work under the direction of the tax collector, whose duties do not include bringing suit. Since the outside attorney is unsuitable as a special collector, the subsequent remarks are made with the second type in mind.

Over 30 per cent of the Texas cities examined had used special collectors in the three years prior to November, 1934, though in a few of these the tax attorney was considered to be a special collector. Three small towns which had contracted with outside attorneys experienced disappointing results. The cities which have hired persons to make personal interviews have been satisfied with this arrangement. Tyler employs a field worker to check up on those failing to keep their contracts for installment payment of back taxes; he either makes the collection or persuades the person to see the city collector. Waco has two salaried collectors, responsible to and directed by the tax attorney. Austin has used a separate collector for delinquent personal property accounts.

Personal solicitation has decided advantages over letters and advertisements. The latter can be disregarded, while an interviewer requires some answer from the delinquent. A special collector is particularly valuable in obtaining personal property taxes, for usually the amount is so small the trouble and expense of attachment or of filing suit is unwarranted. The special collector should be furnished with a card for each person, giving his name and address, a description of the delinquent property, and the amount of taxes by years plus the penalties and interest. The collector should obtain a promise of payment, recorded on a pledge card. The delinquent may agree to pursue some plan of installment paying. If the interview has no positive results, a notation to this effect can be made and the card returned to the tax collector's office. The special collector can also act as a follow-up agent on those who agree to pay. His duties could also include distribution of publicity materials, determination of causes of delinquency, and observation of social conditions warranting remission of the tax in question.

The results of personal solicitation depend largely upon the persons employed as collectors. The work requires tact, determination, and persuasiveness. The cost of a special collector will average about 10 per cent of the collections. Over one-half of the cities pay field collectors by a percentage of the amount collected, the larger cities using a salary basis. A percentage basis may stimulate aggression, but it will cause the worker to go after only the large and easily collected accounts. Everything considered, the salary basis is the more acceptable. Among its advantages is the fact that under it the collector may legitimately be directed to tasks other than actual collection. Many cities have availed themselves of relief workers to make a house to house canvass in the interest of tax payment.

*A city may allow delinquents to work out their tax bills.* La Grange and Cisco are two Texas cities which do this. La Grange has a small negro population which relies entirely upon manual labor for its livelihood. The depression minimized the opportunities for this kind of work in

the community. Many small delinquent accounts were the result, the aggregate of which totaled a considerable sum. If these accounts had been allowed to go uncollected, the chances of settling them would have decreased with the passing of time. Consequently the city devised a scheme whereby the delinquent negro taxpayer was given the opportunity to work on the city streets, with half of his wages being retained by the city and applied against his tax bill. Since the accounts were usually small, a week's work often paid the bill and netted the worker enough cash to buy a small supply of groceries besides. There was no lack of applicants to take advantage of the scheme. By recourse to this plan the city reduced its delinquency, maintained its streets in repair, and strengthened the feeling that taxpaying was a civic duty. While a like plan could be adopted in other cities, it would have to be handled judiciously, since it might result in laying off regular employees and reducing the opportunities for free employment.

*Although it is not permitted in Texas, the attachment of rentals on revenue producing delinquent property may be a desirable though somewhat drastic measure.* Several states have provided for tax receiverships. Such a provision was one of the main features of the Hester-Devall bill introduced in the First Called Session of the Forty-third Texas Legislature.<sup>1</sup> The famous Kerner-Skarda act (Illinois) provides that the county treasurer shall be appointed receiver of income of revenue producing property which is shown to be

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<sup>1</sup>This was House Bill 125, whose nature is indicated in its title: "An Act providing that where suits for delinquent taxes against real property are filed under the Constitution and statutes of the State of Texas, that the county attorney, district attorney, or other attorney representing the State of Texas, or any county, city, town, school district, or other political subdivision of the State of Texas may apply for, and the district court or other court having jurisdiction may appoint, a receiver of the rents, issues, and income of such property against which such taxes are assessed for the purpose of collecting and satisfying out of such rents, issues, and incomes the taxes upon such real estate, together with penalties, interests, and costs, and costs and expenses of such receivership; providing for the appointment of the tax collector as receiver, and declaring an emergency."

six months in arrears on its taxes, and that he shall apply that income to taxes as well as to operating expenses of the property. In the first year of its operation, this law resulted in a three-fold increase in delinquent collections over the previous year. Legislation in Iowa makes provision, in any action to foreclose a mortgage or a deed of trust, for the court to apply part of the income of the real estate toward payment of taxes coming due during the period of redemption after foreclosure. New Jersey, to counteract a taxpayers' revolt, adopted legislation similar to that of Illinois; there receivers may be appointed for income producing property delinquent over six months, and sufficient income may be collected to pay all back taxes. These may seem drastic measures, fit to be pursued only when all other tactics fail; even so, they are less severe on the taxpayer than sale of his property, and they relieve the city of having to dispose of real estate upon which it has foreclosed. Legislation would be necessary in Texas to permit tax receiverships by any unit of government.

Another device which is actually provided by Texas law for the state government is the prohibition of the payment of state funds to any person indebted to the state.<sup>2</sup> This mandatory provision is seldom if ever complied with. It seems no more than fair to forbid an individual to receive money from the government treasury until his obligations are paid. Legislative action would be required to make this measure applicable to cities.

*Publication of the names of delinquent taxpayers is likely to result in increasing collections.* There is evidence of a tendency away from this practice, however. Only 5 per cent of the cities investigated publish a list of delinquents. Cities in other states are either reducing the number of papers in which the list is published or else eliminating it altogether. One point against the practice is that it creates ill will on the part of the taxpayer named because of the unfavorable publicity and because of the extra costs for publication which are added to the tax bill. Again it is said

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<sup>2</sup>*Revised Civil Statutes*, Article 4350.



to be ineffective because there is no longer any disrepute connected with failure to pay taxes.

At least two Texas cities find publication of the names of delinquents beneficial to collections; these are La Grange and New Braunfels, towns where there is a strong local tradition of taxpaying. La Grange publishes the names of delinquents and the amounts due the city; this list appears prior to the municipal elections when city government is a subject of general discussion. New Braunfels posts the names of delinquents at the entrance to the city hall and the courthouse within two months after the delinquency date, and further publishes the names, along with a description of the delinquent property, in the local newspapers once a week for three consecutive weeks. When a citizen pays his bill his name is struck from the list, so that it does not appear in succeeding publications. The success of publication in these places is founded upon the community feeling that taxpaying is a just obligation.

A somewhat similar device was found by Wichita Falls to be exceedingly productive. This was the publication of names of those who have paid their taxes, rather than of those who have not. The tax collector furnished the newspaper with a list of the persons who had paid their taxes on the first day they were due and the editor used this information as the basis of a brief news article. This made such an impression upon the public that others settled their accounts immediately, presumably with the hope of getting the publicity. Consequently the collector gave the newspaper a daily list of those who had paid, and these were published without expense to the city. This policy was continued for about a month. While it may not have resulted in reducing delinquency, it was effective in obtaining tax money at an early date and in creating a public sentiment favorable to the city government.

*The State of New York has authorized a Tax Discount Corporation, thus providing a new scheme for the collection of real estate taxes. The Corporation, if organized, would extend loans to the taxpayers, whose debt to the city would serve as security for the loan, since the tax bill is a first*

lien against the property. The loan would be applied by the taxpayer against his current and delinquent tax accounts. It can be repaid in small monthly installments, with an interest charge of 6 per cent. This would be especially advantageous to the taxpayer, who would avoid the heavy delinquency penalties and at the same time secure protection from foreclosure.

*Massachusetts has an interesting and distinctive feature in its law pertaining to delinquent collections, namely the right of the city collector to arrest and imprison the person who fails to pay his tax.* The importance of this is more clearly understood when one realizes that every collector must furnish a surety bond that he will perform faithfully all the duties of his office. To carry out his oath of office he must either bring suit for delinquent taxes or issue a warrant for the arrest of the delinquent. "Arrest was one of the earliest methods . . . and is still one of the most effective ways for the collector to insure full compliance with his oath of office," writes Henry F. Long, Massachusetts Commissioner of Corporations and Taxation. Furthermore, arrest is the only method for enforcing payment of personal income taxes; its effectiveness is demonstrated by the fact that collections of this tax run over 97 per cent. The collecting officer invokes this drastic measure only against persons who are able to pay, but who are withholding payment. Massachusetts' experience shows the value of severe penalties for evasion of tax laws.

*Every city should strive to create a tradition that taxes should be paid and that a rigid enforcement policy must be maintained.* A good tax collection procedure is fundamental in bringing in revenues from taxation, but half the battle is won if the citizens of the community are sympathetic with and appreciate the work of the city administration, and if they feel it is a duty to take care of their financial obligations to the city. Too frequently there is no public opinion attaching a stigma to delinquency; failure to pay taxes is likely to be tolerated if not actually approved, since it is "wise" to wait for remission of penalty and interest. In some communities where there has been a

strong taxpaying tradition in the past, the public's attitude has become indifferent since the advent of the economic crisis. The citizens of New Braunfels still take pride in making prompt payments. The taxpayers of all cities require only to be aroused and made to see the value of the city services and the need for maintaining them, to be converted into enthusiastic and active supporters of the government. This introduces the matter of public reporting, which is fundamental in efforts to improve citizen attitude toward taxpaying.

*The city administration should seek effectively to report the activities of the government to the citizen body.* One of the most important features of tax collecting is an educational program designed to convince the people of the necessity of paying taxes. Public reporting has several valuable objectives when considered for the city administration as a whole, but in this manual the discussion will be limited to a consideration of reporting in its relation to tax collecting.

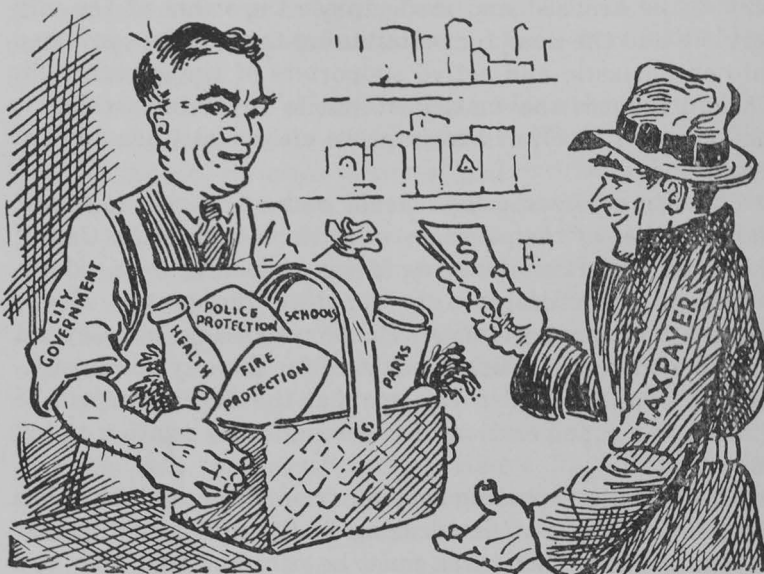
An adequate reporting system, from this standpoint, has the definite object of inculcating in the minds of the taxpayers the idea that taxes must be paid and that they are the losers if they are not. They should be shown that the functions of the city are essential to a safe, healthful life; that the city services are for the benefit of all and that the expense therefore should be shared by all; that in hard times there are burdens on the city in the way of welfare programs additional to the usual charges for debt and protective services. They must be informed that they are receiving more for their tax dollar than for any other money they spend, and the obvious relation between income and the city's activities pointed out. All of these things need to be presented clearly and interestingly, with the idea always in mind that the facts dealt with are for public consumption. The use of charts, diagrams, comparative tables, and other visual aids is imperative.<sup>3</sup>

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<sup>3</sup>See *A Budget Manual for Texas Cities*, Appendix IV, for several useable diagrams.

## EXHIBIT K

*Good Merchandise Fairly Priced*



A cartoon adapted from one in a Memphis, Tennessee, newspaper advertisement. This cartoon is used here through the courtesy of Honorable Watkins Overton, Mayor, City of Memphis.

There are various types of publicity materials that may be used. A small publicity pamphlet or leaflet can be prepared and sent to the taxpayers, the most expedient time and method being to mail it with the tax statement. The three largest cities in Texas have developed such publicity. Houston heads its single sheet with

Have Taxes Been Reduced?

Have Assessments Been Reduced?

Is Our City Government Costing Less?

which is followed by a comparison of valuation and rates for the last four years, and a summary of its credit rating.

San Antonio entitles its 1934 leaflet "Facts for the Taxpayer." This proceeds to assure its readers that after observing the distribution of the tax dollars and perusing a brief summary of the various departments, they will believe that their taxes are the most important obligation they have and "will make every effort to pay them promptly."

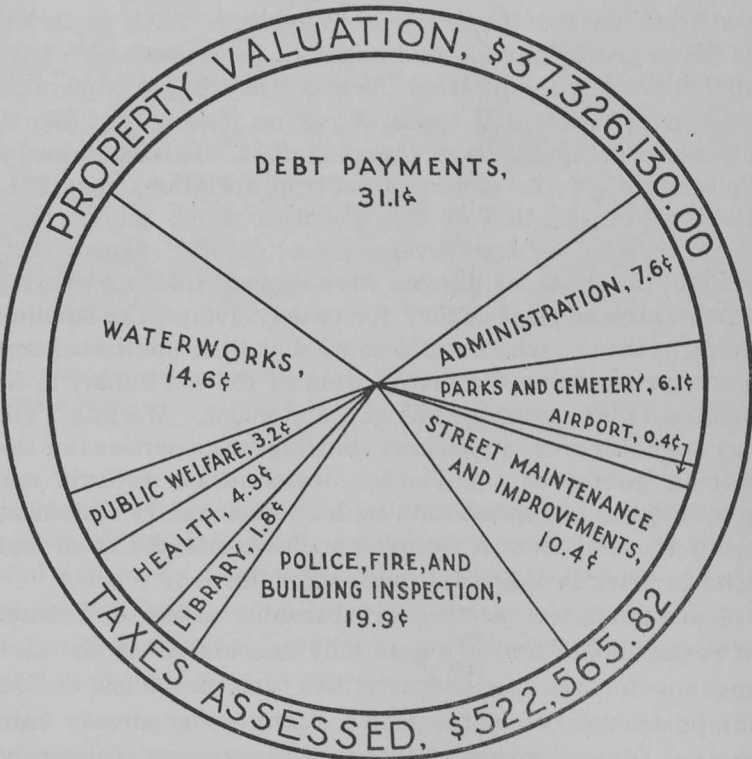
The Dallas four-page pamphlet explains the provisions of the tax collecting law, and then describes "How Your Tax Money Is Spent." It gives the tax rate as divided among the general, park, library, and sinking funds, lists the services which the city performs, and compares the valuation, rate, and total tax for the previous four years. Such materials as these are invaluable and ought to be revised each year and presented in different forms. They ought always to explain the ways and times of paying taxes. Fort Worth published an eleven page report in 1932. This contained a "pie chart" of the general fund appropriations for 1931-1932, an explanation of the advances which the city had made in services over several years, detailed figures comparing the costs of the services, and a table comparing valuations and the tax levy for twenty-five years. Another publicity device which could be used at little additional cost is a chart showing the distribution of the tax dollar, to be printed on the back of the tax statement. Wichita Falls has done this with a pie chart showing what portions of tax moneys go for debt payments, waterworks, welfare, and other objects of expenditure, with an explanatory statement below the diagram. A sample pie chart, adapted from that used in Wichita Falls, appears as Exhibit L.<sup>4</sup>

The newspapers are an indispensable means of contact with the public and are generally considered as the best medium for placing the activities and problems of the administration before the people. Mention has already been made of advertisements to inform the taxpayers of payment and delinquency dates and to warn them of penalties. News

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<sup>4</sup>This chart is used here through the courtesy of Dr. A. H. Douglass, City Manager of Wichita Falls.

**EXHIBIT L**  
**WHAT DOES YOUR MUNICIPAL**  
**TAX DOLLAR BUY ?**



articles and editorials are inexpensive and at the same time reach a large number of citizens. Summary statements of tax collections, interesting episodes in administration, new activities undertaken, future plans of the administration, and numerous other subjects can be written up by the city officers of the facts given to the newspaper reporters for news articles.

In the larger cities the radio offers an excellent opportunity to reach the public. Some cities have a weekly program devoted to reporting the city's activities. The assessor and collector for Dallas makes a talk twice a year over the municipal station. Sometimes at the close of the collecting period short announcements are made between programs reminding the listeners of the approaching delinquency date. An illustration of a radio comment follows:

Would you want to live in a city without public schools, public health department, police and fire departments, parks, a public library, a welfare department and street lighting? Taxes and civilization go hand in hand. Mail your check for your taxes today.

Some cities have utilized motion pictures to place the work of the administration before the public. The simplest form is the screen advertisement shown in local theaters. In a few places, motion pictures are taken of the activities of the city government and shown to schools and clubs. The city may buy its own camera and projector. Where this device has been used, the results in securing citizen appreciation of local governmental services have justified the cost.

Another means of publicity is talks by city officials before school assemblies, service clubs, the League of Women Voters, and similar organizations. In addition, one of the aims of special collectors or others making personal solicitation ought to be that of convincing the persons interviewed of the benefits they derive from the city government. Still another form of direct contact is the telephone; this can be utilized to check up on delinquents, ascertain causes for delayed payments, and develop a better attitude toward the city. Again, the collector can distribute either letters or

handbills briefly summarizing current data on the city's financial position.

Still another publicity measure which has been used sparingly, but which offers distinct possibilities, is outdoor advertising. Baltimore displayed a device in the lobby of the municipal building which indicated daily the amounts collected as compared with the total levy. Memphis undertook outdoor advertising on an extensive scale in connection with a taxpaying campaign. Signs were placed in front of schools, hospitals and fire stations with such captions as "We Protect Your Home," "Save Your Parks," and "Keep the Schools Open." Detroit inaugurated a direct advertising campaign which included many outdoor signs, the majority illuminated. Other measures employed in this campaign were insertions in newspapers and church bulletins, radio announcements, and picture show slides. The cost of this campaign was less than 2 per cent of the resulting collections. It may be suggested that an inexpensive form of outdoor advertising would be signs, like those displayed in Memphis, which could be placed on city garbage trucks, cleaning wagons, and similar vehicles. An excellent poster display could be adapted from a Memphis newspaper advertisement, pictured as Exhibit M.<sup>5</sup>

*Many cities have had recourse to taxpaying campaigns as a means of stimulating payment of delinquent taxes. The term taxpaying campaign has no definite connotation; what is a campaign in one city may be only the regular and continuous collecting procedure in another. A campaign may be distinguished by the fact that the devices used are either not ordinarily employed by the city or else are used more extensively than usual. Another distinctive though not indispensable feature is the enlistment of private citizens as campaign workers.*

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<sup>5</sup>This publicity material appeared as the lower half of a full-page advertisement. The upper portion contained pictures of civic buildings and services, and of publicity devices employed in the Memphis taxpaying campaign.



EXHIBIT M

NEWSPAPER PUBLICITY MATERIAL EMPLOYED IN RECENT MEMPHIS CAMPAIGN\*

# YOUR BIGGEST DOLLAR

Where Else Could You Buy So Much For YOUR Money?

- ✦ Education for Your Children?
- ✦ Protection from Fire and Theft?
- ✦ Books to Read?
- ✦ Parks and Playgrounds for Recreation?
- ✦ Well Lighted Streets?
- ✦ Hospitals and Health Service?
- ✦ Paved Streets, Viaducts and Subways?
- ✦ Municipal Airport?
- ✦ Juvenile Court and Detention Home for Dependent Children?
- ✦ Auditorium, Art Galleries and Art Academy?
- ✦ Safe Buildings, Honest Weights?
- ✦ Garbage and Rubbish Removed From Homes and Apartments?

## YOUR CITY TAX DOLLAR

BUYS ALL THESE THINGS—AND MANY MORE

On or Before September 1st

## PAY YOUR CITY TAXES

Penalties Go On After September 1st

SAVE INTEREST



SAVE PENALTIES



SAVE YOUR CITY!

*See the City Treasurer Today—Room 111, Courthouse*

\*Reproduced through the courtesy of Honorable Watkins Overton, Mayor, City of Memphis.

The National Municipal League has sponsored a National Pay Your Taxes Campaign, to assist in the collection of current and delinquent taxes. Cities which have used campaigns have found them valuable in reducing the amounts of delinquency, in stimulating current collection, in eliminating tax strikes, and indirectly in restoring municipal credit. A campaign in Buffalo, New York, in 1934, secured pledges to pay from four-fifths of the delinquents. A drive in Houston the same year brought in 32 per cent of the unpaid 1931 taxes and 20 per cent of the unpaid 1932 taxes, besides speeding up collections on the current rolls. The Beaumont campaign, from April to July, 1933, brought in better than \$210,000, an increase of nearly 600 per cent over collections for the corresponding months in 1932. Memphis put on a drive in the first seven months of 1934 during which nearly \$400,000 more was collected than was received during the same period in 1933. About 35 per cent of the cities included in this study have used taxpaying campaigns sometime from 1932 to 1934. Most have resorted to them only once in the three years, while 35 per cent claimed to have staged three or more such drives. It can be concluded that Texas cities have favored tax campaigns, though it is to be regretted that there has been occasion to use them.

Some general remarks will suffice to outline the organization of a taxpaying campaign.<sup>6</sup> The first step, assuming that the city council has decided to enlist the aid of private citizens, is the formation of a committee to direct the campaign. Representatives of service clubs, professional clubs, Parent-Teachers Associations, and other community organizations may be called together to inaugurate the movement, or one particular group may be found to sponsor it. The purposes and objectives of the campaign should be outlined and the support of the citizens solicited. Sub-committees may be organized; the most important among those will be

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<sup>6</sup>A campaign manual for a Pay Your Taxes Campaign can be secured from the National Municipal League, 309 E. 34th St., New York City.

the Publicity Committee, the Speakers' Bureau, and the Canvassing Committee. There may be one to survey and study the delinquency situation and one to examine and suggest changes in the legal provisions on collection procedure. The committees ought to be representative of the community interests which will bear the brunt of the campaign work. Clerical help may be donated by business houses. Newark initiated its campaign by calling together the twenty largest taxpayers who, after realizing the need for decisive action, gave the services of paid organizers in their employ.

While the personnel is being organized, the city council must determine the policy to be pursued with respect to delinquents and their obligations. It may perhaps decide to remit the penalties during the period of intensive efforts; it should by all means provide two or more alternative easy payment plans. Exhibit N, which constitutes the two inside pages of a four-page Beaumont campaign pamphlet titled "Tax Paying Made Easier," describes three different payment plans. Finally, it should devise a policy which will discriminate between the person actually unable to pay and the one who dodges the tax for selfish reasons. Its decisions on these matters must be carefully explained to all the workers.

The campaign may be organized in two main divisions, first, publicity and education, and second, interviews or personal solicitation. In carrying out the first of these, all of the publicity devices previously mentioned can be employed. Newspaper advertisements and articles, radio addresses, talks before clubs and schools, picture show screen advertisements, letters and pamphlets, posters and stickers, and outdoor advertising can be brought into play. Exhibit O reproduces a full page advertisement used in a campaign in Jacksonville. The object of these measures is to convince the citizens of the seriousness of the financial situation, and of the necessity of paying taxes to maintain the indispensable services of the municipal government. It is al-

## EXHIBIT N

## THREE PLANS FOR THE PAYMENT OF TAXES USED IN THE CITY OF BEAUMONT\*

## Plan 1

### To the Taxpayer Who Can Pay 1934 Taxes IN ADVANCE

*Pay Taxes Monthly—Feel the Burden Less*

Make a Saving Equal to 6 Per Cent Annual Interest

Example: Total Tax \$100.00 paid any time in February will have Earned on October 1, 1934 (at which time taxes are due), \$4.00

\$100.00 paid in March earns .....	\$3.50
\$100.00 paid in April earns .....	\$3.00
\$100.00 paid in May earns .....	\$2.50
\$100.00 paid in June earns .....	\$2.00
\$100.00 paid in July earns .....	\$1.50
\$100.00 paid in August earns .....	\$1.00
\$100.00 paid in September earns .....	.50

All payments made prior to October 1, 1934, will earn interest according to above schedule. Payments do not necessarily have to be made every month.

MINIMUM PAYMENT, \$5.00.

Reduce Your Tax Bill—Help Your City Operate on a Cash Basis By Paying as Service is Performed

## Plan 2

### To the Taxpayer Who Is Delinquent on 1933 TAXES

*Pay Now—Save Penalty*

10 Per Cent PENALTY Usually Effective February 1st  
ABOLISHED and Substituted by GRADUATED PENALTY.

Example:

Pay Full 1933 Tax in February . with Penalty	1%
Pay Full 1933 Tax in March . . with Penalty	2½%
Pay Full 1933 Tax in April . . . with Penalty	4%
Pay Full 1933 Tax in May . . . . with Penalty	6%
Pay Full 1933 Tax in June . . . . with Penalty	8%
Pay Full 1933 Tax in July . . . . with Penalty	10%

Pay Full Tax Now and Save the Mounting Penalty

Your City Has Made Tax Paying Easier by Reducing Rate

1932 .....	\$3.00
1933 .....	\$2.50
Reduction .....	.50

Help Keep Down 1934 Rate by Paying Your  
Delinquent Tax Now!

## Plan 3

## GENERAL BUDGET FUND

1930-31	\$721,812
1931-32	\$608,125
1932-33	\$429,005
1933-34	\$375,000

## To the Taxpayer Who Is Delinquent on Tax Prior to 1933

#### MAKE PARTIAL PAYMENTS MONTHLY

All Installment Payments Will Bear 6 Per Cent Interest  
Until Tax Is Fully Paid

PAY MONTHLY—SAVE INTEREST—AVOID COLLECTION BY  
SUIT.

Help Your Neighbor—Tax Delinquency Increases the Burden  
On Those Who Do Pay.

## TOTAL BUDGET

1930-31	\$2,156,172
1931-32	\$2,041,206
1932-33	\$1,637,919
1933-34	\$1,537,120

\*The exhibit reproduced here is taken from a publicity pamphlet employed in Beaumont in a recent taxpaying campaign. It is printed through the courtesy of Mr. G. H. Petkovsek, City Manager of Beaumont.

## EXHIBIT O

A FULL PAGE NEWSPAPER ADVERTISEMENT USED RECENTLY  
IN THE CITY OF JACKSONVILLE\*

**PAY YOUR TAXES****A LETTER TO YOU**

In entering upon this "Pay Your Taxes" Campaign for the month of September, the City Commission and the School Board are fully cognizant of the fact that many in our City who are delinquent are unable to pay at this time. However, many of these have shown quite an indifference to the problem, and, while we expect to be fully considerate of their situation, we must request that they come to our Tax Collectors and give some expression of their intentions to pay and, if possible, when we might expect payment in full or in part.

There are many whom we believe to be able to pay their taxes who are taking advantage of every possible excuse to avoid it. We have been as lenient with them as we can and have given them every reasonable opportunity to pay. These people must accept their responsibility.

We are entering into this whole matter with the interest of the property owner and citizens generally foremost in our consideration. There is a growing delinquency of taxes. It is pyramiding year after year, and unless some firm and definite action is taken, the problem of taxation will become more acute and our schools and city will suffer irreparably, which will eventually bring distress upon our people.

The man who is paying his taxes, whether he is a small home owner or the owner of large property, is in the long run paying just that much more in taxes because his neighbor is holding out. There is no one whose interest is affected more adversely by the tax delinquent than the taxpayer—not only is he bearing more than his share of the expense of running the city and schools, but he also is facing depreciation of the value of his property at the same time.

Any further reduction in taxes for 1934 will depend altogether upon the amount of delinquent taxes collected by October 1st.

For the information of all, we set forth here the policy that we have decided upon as our course of action and we hope that the taxpayers, both delinquent and those who have paid, will give us their fullest cooperation.

1. It is our purpose to fully inform the public about the tax situation and endeavor to obtain community wide sentiment and support in collecting delinquent taxes. It is the citizens' business, and our efforts to bring about the fullest economy in the operation of our city and schools will be greatly aided by their cooperation.

2. We shall give notice again to all who have not paid their taxes, advising them of our policy, and stating the consequences if the taxpayers do not cooperate with this policy.

3. A worthwhile saving plan has been set forth by City and School on all tax accounts settled by October 1st. Tax collectors will explain this saving.

4. Installments: Those who are unable to pay all of their taxes now may make arrangements to pay in monthly installments.

5. Cards of agreements on which delinquents may specify plan they will pay on will be provided.

6. Those who are unable to pay are requested to call at the Tax Collectors' office and give their reasons for not paying this tax, and when they will be able to liquidate this obligation.

7. In many instances, delinquents will be interviewed by the Commissioners, Trustees, and citizen groups.

8. We will request the cooperation of the lien and mortgage holders in checking up on every piece of delinquent property in the City and School District, and to insist upon payment of taxes.

9. It is our desire to avoid legal actions whenever possible. But we will be forced to begin filing of suits in the January term of court unless satisfactory arrangements are made.

THIS RESOLUTION WAS PASSED AND APPROVED BY THE CITY COMMISSION AND SCHOOL BOARD ON AUGUST 30th, 1934.

## CITY COMMISSION:

T. E. Acker, Mayor

B. J. Albritton, J. S. Simpson.

A. F. Templeton, S. P. Thompson,

## SCHOOL BOARD:

G. W. Gibson

C. D. Shoemaker, M. P. Alexander,

W. H. Brown, W. W. Holman,

T. A. Stevens, D. E. Hawk.

**September Is "Pay Your Tax Month"**

\*Reproduced through the courtesy of Mr. J. Bryan Miller, City Manager of Jacksonville, Texas.

ways in order to popularize the campaign by adopting one or more "catchy" slogans.

The organization of volunteer workers for personal solicitation must be carefully planned. Each canvasser should be furnished with a card giving the name of the taxpayer and his delinquency itemized by years. In addition a pledge card should be given him, on which is indicated the arrangements available to the taxpayer for his future payments. The Newark, New Jersey, campaign pledge card is pictured as Exhibit P.<sup>7</sup> There should also be a place for remarks. These cards could be given the solicitor in an envelope on the outside of which are instructions for canvassing and reporting. The instructions given in the Newark campaign were as follows:

1. Solicitors must not accept payment of taxes
2. Each solicitor will be furnished with a tax card and a pledge card for each taxpayer
3. Signed pledges with accompanying tax cards should be given to District Chairman on above dates
4. Other cards should be kept until case is disposed of
5. If pledge is not signed disposition of case should be noted on back of pledge card under "REMARKS."

Newark sloganized its campaign: "Don't Let Newark Down" was placed upon small lapel buttons, besides appearing on small stickers and large posters.

The questionnaire sent to Texas cities revealed that where campaigns had been organized, the devices used were, in order of their frequency, newspaper materials, letters and cards, interviews, talks by city officials, and talks by private citizens. Radio and outdoor advertising were very seldom employed.

The tax collector's Utopia will come when current collections are sufficiently high to make taxpaying campaigns needless. Meanwhile, cities should employ the (now) special devices for publicity, education, and personal interviews as

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<sup>7</sup>The reverse side of this card contains a space for a description of the property, as well as for the solicitor's remarks. Attention is called to the illustration on this card. This picture was portrayed in colors on posters and stickers.

EXHIBIT P  
CITY OF NEWARK  
New Jersey  
**TAX PLEDGE\***



*TO the Department of Revenue and Finance  
City of Newark, New Jersey*

In consideration of the co-operation of others with the Tax Drive Committee of the City of Newark, New Jersey, I will undertake to pay the sum of \_\_\_\_\_ dollars \$ \_\_\_\_\_, with any interest due.

On \_\_\_\_\_ I will undertake to pay \_\_\_\_\_ dollars, \$ \_\_\_\_\_

Thereafter I will undertake to pay (monthly) (quarterly) the sum of \_\_\_\_\_ dollars, \$ \_\_\_\_\_ until my tax indebtedness is paid in full.

\_\_\_\_\_  
*Solicitor, Newark Tax Drive Committee.* Signed \_\_\_\_\_ Date \_\_\_\_\_

Pay no money to Solicitor.

\*Reproduced through the courtesy of Mr. Reginald Parnell, Director of Revenue and Finance, Newark, New Jersey.

a regular practice and not merely as extraordinary measures to be invoked when collections fall off. Few of the special devices discussed in this chapter are even occasionally used in Texas cities. Many different answers were received in reply to the question, "What devices have proved of greatest value in increasing tax collections?" Publicity and educational methods were listed eight times, installments and a policy of "no remission" six times each, letters and notices five times each, personal contact and filing of suit four times each, discounts three times, taxpaying campaigns twice, and reasonable assessment and graduated penalties once each. Texas cities, it is believed, would find it profitable to adopt as many of the special devices mentioned above as possible. The fact that most of them can be used in any city, regardless of its particular plan and dates of collection, make them all the more worthy of consideration.



## CHAPTER V

### SUMMARY

After investigating the actual practices of tax collection and observing the figures of mounting delinquency percentages, it can be seen that the tax collection program of most cities is not as good as experience shows to be possible and so stands in need of revision. In the bulk of the cities surveyed, the collecting period comes well toward the close of the fiscal year. There are some cities which do not send tax statements, thus placing upon the taxpayer the responsibility of ascertaining his obligation. Newspaper notices and follow-up letters are not extensively used. Texas cities have been progressive in allowing installment payments, but have been lax in enforcing the penalty provisions. In several places it is difficult to obtain a statement of annual delinquency, and the annual reports do not always give the percentage or amount of outstanding taxes for previous years. Finally, it is evident that most Texas municipalities do not use sufficient educational and publicity methods to inform the taxpayers of the city's activities, thus failing to create a tradition of taxpaying.

In the interest of better city administration, there should be a conscious and deliberate effort to remedy the defects now present in many collecting systems. There is evidence to support the conclusion that any city which really desires to do so can install good assessment and improved collection methods. This manual deals with the ad valorem tax, which will long remain as one of the most important sources of municipal revenue, although new springs of income will likely be tapped in the future, and state aid in the form of direct grants or state-administered locally-shared taxes will be used more extensively than at present.<sup>1</sup>

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<sup>1</sup>For suggestions along this line see *A Revenue System for Texas Cities*.

The attitude taken in this monograph is in agreement with the statement of the Committee on Tax Delinquency of the National Tax Association to the effect that "the cause of good government would be served and benefit would accrue to all groups of taxpayers if a procedure could be adopted that would cut through the maze of tradition, historic safeguards, and legal technicalities that now confuse and delay tax collections and that would provide a single course that is short and clear and certain." Throughout this manual the needs of both the city and the taxpayers have been kept in mind. The position is taken that every opportunity should be given the honest taxpayer to pay at his convenience, that he should be dealt with leniently if he is actually unable to pay, and that good tax laws (and a good system of collection) will reduce the chances for wholesale foreclosure on property. On the other hand, it is maintained that the loopholes in both law and collection procedure must be closed to prevent the evasion of the tax obligation by unscrupulous tax dodgers.

It is well to summarize and bring together here the most important principles discussed above. In the first place, it must be remembered that adequate tax laws and their continuous operation are the primary means of bettering tax collections. The law should modernize the procedure, eliminating the obsolete and outmoded features which are so often conducive to delayed payments.

Of equal importance is the forceful and intelligent administration of the legal provisions. This rests upon a well organized tax office. The head of this office should be appointed, and qualified for his duties, which include the collection, custody, and disbursement of all city funds.<sup>2</sup> He must maintain complete and accurate records of each individual's current and delinquent tax account. The billing and receipting process must be organized to provide a tax statement as well as duplicate receipts; it also must be adapted to any special or easy payment systems the city

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<sup>2</sup>For a note on the collection of revenues other than ad valorem taxes, see Appendix I.

may have adopted. Moreover, the collector must keep adequate records of his current and delinquent collections through his monthly and annual reports, and through his daily reports if he has such. The monthly statements, it will be recalled, should indicate the total collections for the month as well as the cumulative total for the fiscal year on both current and delinquent rolls, the amounts yet uncollected, and a comparison with the collections of the previous year. The report on delinquent collections should be itemized by years. Such financial reports enable the administration to ascertain the city's financial condition at any certain time and to make accurate reports to the city council; further, they should serve as a check against the budget plan.

Equitable and scientific methods of assessment bear a direct relation to the matter of increasing tax collections. Unfair or unwise valuations are an important cause of nonpayment of taxes. Whenever possible, the assessor should be a person other than the collector, and in any event he should always be well trained for his task. Finally, the tax rate must be reasonable, which means that property cannot be made to stand more than its fair share of the revenue burden. It will be remembered that a rate which is deemed reasonable in one community may be considered too high in another.

The dates provided in the tax collection calendar may be adjusted to fit any local situation. It is imperative, however, that taxes become due on the date when the fiscal year begins, and that the period intervening between the start of assessments and the collecting date be reduced to a minimum. A six-month interval is suggested. It would be well to consider the advantages of avoiding the dates when state and county taxes are collected.

Statements of current tax bills should be mailed to the taxpayers. Under no circumstances should they be expected to inform themselves of the amounts they owe. Mailed statements facilitate payment by mail, a convenience to both

taxpayer and collector. Furthermore, there should be maintained a continuous system of notices, in the form of newspaper advertisements, letters, or postcards, to remind the taxpayer of the date on which any installment or payment is due and to warn him of the delinquency penalties. Likewise, after an account becomes delinquent, a statement should be mailed to the owner and also to the mortgagee, if there is one. Letters or notices urging payment may be utilized to good effect.

It is important that the city devise one or more easy payment plans to make discharge of the tax obligation as convenient for the taxpayer as is possible. Split and partial payments are the most advantageous arrangements. The pass book is perhaps the most satisfactory means of receipting partial payments. Such schemes, while being flexible enough to be adjustable to individual cases, must provide some definite objectives to effect regular or continuous payment.

The city ought to devise some means of obtaining tax moneys as early in the fiscal year as possible. This can best be accomplished by correlating the tax year and the fiscal year. When this is impossible, discounts for or interest on early payments may be offered. While one purpose of such devices may be to reduce delinquency, their advantages must be weighed against possible losses in the net amount collected.

Adequate but reasonable penalties must be provided, and of much greater importance, enforced. These should be remitted only in extreme emergencies, as a last resort to obtain payment, or in individual cases where such action is justifiable on the ground of need. It is advisable to graduate the penalty, with 5 to 8 per cent maximum.

Special collectors are valuable in investigating causes of delinquency, checking on those who fail to keep their agreements to settle their accounts, and making collections of delinquent taxes. They should be hired by the city and paid by salary, and should serve under the direction of the tax attorney or the tax collector.

The procedure of collection should terminate with foreclosure after a reasonable period of time. Justly or otherwise, city administrations have been particularly lax in this respect during the last half decade. The Texas law is commendable in that it provides for the sale of the delinquent property rather than of a tax certificate. Leniency can best be shown by extending the time for redemption rather than by postponing the tax sale.

A community tradition that taxes must be paid is indispensable to a good collecting program. Such an attitude eases many of the difficulties of collection by making the slacker unpopular. It is better to have the tax paid by virtue of social pressure than by reason of legal coercion. Contributing to success in an endeavor to develop a favorable public attitude are adequate and effective reporting methods.

The city officials should allow no opportunity to pass to inform citizens of the place and value of the city government in community life. Both regular and occasional reports should be issued to show the taxpayers first what they receive for their money, and to reveal to them that the services are well worth their cost and that taxes are a just obligation. The means to place these ideas before the people are numerous. Publicity materials in the form of pamphlets and letters are frequently used, newspapers and radio are other mediums; and direct contact by talks to organizations and interviews with individuals are a third. Outdoor advertising may find a more important place in the future than it has in the past. The coöperation of service clubs will be found helpful in creating the desired attitude toward the city's activities. When collections are particularly low, a taxpaying campaign can be organized which employs these devices in a more intensive manner.

If the state Legislature authorizes the attachment of rentals on revenue-producing delinquent property, the cities might satisfy the delinquent accounts by means of tax receiverships.

The purpose of this manual is to outline the fundamental principles of collection which a city should follow to increase

its income from ad valorem taxes and to assist the collector in carrying out the duties of his office. Descriptions and details of actual practices have been given as illustrations of practical methods, which a city might well try out and test by its own experience. The collection of taxes should be considered as a continuous operation, rather than as a seasonal task. If the law were unequivocal in its requirements for prompt payments, if the collection procedure were renovated in the light of progressive principles, and if the penalties provided for late and non-payment were enforced, the municipality would be able to collect a very high percentage of its current roll. Private property then would escape the specter of foreclosure, delinquency would be reduced to negligible proportions, and the city would benefit from a more substantial income and an improved financial status.

## APPENDIX I

### NOTE ON THE COLLECTION OF REVENUES OTHER THAN TAXES

It has been maintained throughout this discussion that one officer should be responsible for the collection of all revenues of the city. The primary purpose of the handbook is a consideration of the subject of property tax collections, though it is in order to devote incidental attention to other forms of revenue. These will be discussed in the subsequent pages under the headings of special assessment, public utility, and miscellaneous revenues. Poll taxes, rapidly being abandoned by the cities, are billed with ad valorem taxes, and therefore do not warrant separate consideration.

A special assessment may be defined as "a compulsory charge on real estate imposed by the public authorities, usually in some proportion to the special benefits conferred upon such property by an improvement of a public character."<sup>1</sup> There are two types of special assessments, namely, those used for a special public service such as weed cutting, and those levied for a permanent public improvement such as street widening and paving. The former is rarely used. The most common practice in Texas in financing special assessment projects is for the city to issue improvement bonds or certificates which become a lien on the property. These are then turned over to the contractor on the job who assumes the responsibility of collecting the assessments due.

It was found that in 12 per cent of the cities studied, the city made the collection on one or more special assessment projects; in all but one of these cases, where the accounts were carried in the auditor's office, the city tax collector was responsible for receiving these moneys. In two of the

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<sup>1</sup>Quoted by W. B. Munro in *Municipal Administration*, pp. 141-142. For an explanation of special assessments and their use in Texas see *A Revenue System for Texas Cities*.

smaller towns collections were made through informal interviews with those from whom sums were due. In another case personal notes were given to the city and payment made upon them at the collector's office. Dallas appears to be the only city which has a well organized system of collecting special assessments. Its size and the number of special improvements make practical the employment of a full time man, whose sole function is attending to these accounts. This person is a member of the staff of the city collector's office. Bills are mailed or delivered annually; notices are sent if the payment is delayed; and finally the delinquent accounts are turned over to the city attorney. Interest at 7 per cent is charged when the account becomes delinquent.

If cities make more extensive use of special assessments in the future than they do at present, and it is likely they will, the tax collector should be responsible for their collection. The same methods for billing, sending notices and statements, and filing suit as are used for ad valorem taxes should be adopted.

Certain abuses in special assessment usage have arisen, particularly in the development of real estate subdivisions. Too many improvements make the burden of assessments excessive and the city is quite likely to find large quantities of delinquent vacant lots on its hands in a period of stress. If the credit of the city has been pledged on the special assessment bonds, payment on them will become a hardship or an impossibility. Such a disastrous situation could be avoided if a careful survey of the city's delinquency were made by plats, and no special improvement permitted unless the delinquency of the area affected were less than say 20 per cent.

The collection of revenues from municipally owned public utilities presents some interesting varieties and combinations of practices and methods. Since water utilities are the most commonly owned, they serve as a convenient basis for comparing procedures. In 62 per cent of the cities submitting data on this subject, the water bills are collected by the tax collector, and in the remainder by a separate



utility department. Bills are paid monthly in the bulk of the cities, though a few have quarterly payments. Over 75 per cent of the municipalities mail the water bill, 21 per cent make delivery by city employees, some hold the bills in the collecting office, and a few use a combination of these methods.

The most usual method of billing sewer charges is to combine them with the water bill: this is done in 53 per cent of the cities. In those places where there is a sewer charge but no water utility, the collection is made by the tax collecting officer.

Five cities reported upon electric utility collections and two upon gas utilities. In 43 per cent of these the tax collector receives these revenues, while in the remainder the utility department is responsible for the accounts.

It was found that in every city one office or department is responsible for the collection of all revenues from municipally owned utilities. There is no question that such unified responsibility is best. Whether or not the tax collector should be given the function of receiving these revenues depends upon the size of the city and the number of utilities the city owns and operates. In the larger municipalities it may be better to establish separate utility departments charged with the duty of making collection; in the smaller cities the function may legitimately be placed upon the shoulders of the tax collector. Notices of the utility bill should be mailed or delivered by whomever collects these revenues. Finally, all collections should be turned over to the treasurer for custody and disbursement.

The term "miscellaneous revenues" includes all forms of income of the city, not previously mentioned. It embraces income from dog licenses, inspection fees of all kinds, building permits, rentals, street privileges, markets, garbage collection, sale of materials, court fines and costs, and licenses and occupation taxes. Other sources found less frequently include charges for health certificates, abattoirs, wharves, and airports. Where a city has several of these different types of miscellaneous revenues, they may be collected by a number of different agencies or officers. It is

not the general practice, therefore, to have unified responsibility for the collection of these moneys. Yet it is revealing that 43 per cent of the cities report that the officer who collects taxes is solely responsible for the collection of miscellaneous revenues, 68 per cent of these cities being under 5,000 in population. To interpret the data in another way, it can be concluded that in over 90 per cent of the general law cities, there is integration of the collecting function. In the larger cities, as many as ten different agencies or officials have the duty of collecting some form of revenue. Austin is the largest municipality discovered in which one officer (the tax collector) is responsible for the collection of all miscellaneous revenues.

It is interesting to note what persons are named to collect certain of these revenues. With but two exceptions, the tax collector receives moneys from occupation tax and licenses; in one case the chief of police and in another a special license collector is the receiving officer. In the case of dog licenses, collecting agencies are the tax collector, health department, police officers, and pound master. General inspection fees are frequently taken by the city engineer or the various inspectors. Fees for building inspections come through the department of public works, the city engineer, the building inspector, or the tax collector. Court fines and costs are collected in about 50 per cent of the cities by the judge or chief of police. Other agencies sometimes charged with the collection of some form of revenue are the garbage division, market master, airport manager, auditor, budget officer, secretary, purchasing agent, and park and health departments.

Though the basic principle that one officer should be responsible for the collection of all city income is a valid one, it is possible that in the process of collecting miscellaneous sources of revenues in large cities, this rule cannot be strictly observed. It is frequently more feasible for some field officer or employee to make a particular collection than any other agent; this would be true for example, in the cases of airport rentals or garbage collection. Such officials, however, should be required immediately to remit all funds

collected to the treasurer. On the other hand, it is practicable to provide that all moneys paid in at the city hall must be received by one official. A situation where several officers in the same building act as receivers should be avoided. When some official action or decision is necessary prior to payment of money, as in the case of licenses, permits, inspections, or certificates, such sanction could be obtained from the proper person perhaps in the form of an instrument which becomes a receipt for payment only with the countersignature of the treasurer. If such practices are followed, responsibility will be concentrated, the financial administration of the city improved, and accounting and reporting facilitated.



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## **Bureau of Municipal Research**

1. A Budget Manual for Texas Cities.
2. A Manual of Tax Collection Procedure for Texas Cities.
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